



Daily Report

China

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General

Expert Says Human Rights Issues 'Distorted'

OW0808162795 Beijing XINHUA in English
1616 GMT 8 Aug 95

[FBIS Transcribed Text] Geneva, August 8 (XINHUA) — Chinese human rights expert has stressed the need to restore the real nature of the fundamental principles of human rights, saying "the universality of human rights is misrepresented."

Fan Guoxiang, a Chinese human rights expert, told a recent session of the United Nations Commission on Human Rights in Geneva that the human rights issue continues to be distorted, as it was used as a means of confrontation during the "Cold War" in the past.

The politicization of the human rights issue does not cease with the end of the "Cold War" era featuring the East-West confrontation, Fan said.

Speaking at the 47th session of the sub-commission on prevention of discrimination and protection of minorities, Fan pointed out that according to international covenant, all the people in the world are entitled to making their own choices in the political, economic and social structures, which should be respected by outsiders.

The big powers "should not undermine this option in the name of 'human rights' by imposing another political structure," he said.

Fan added that "it is inadmissible to assert that some political structures are inherently 'autarchic' and 'totalitarian' and other social systems are automatically regarded as 'free and democratic'."

He criticized the phenomenon that "any one or any group working deliberately against the former type of government, even committing crimes by whatever means they deem necessary, are laureated as 'human rights activists'."

It will not help promote human rights but lead to "double standards" on the human rights issue to divide the 185 UN Member countries into the categories of "democratic" or "undemocratic" ones, Fan noted.

Moreover, he said, the right of self-determination, which originally refers to the right of peoples subjected to alien rule to free themselves, should not be twisted into a so-called "people's right to self-determination" so as to legitimize a "partial or total disruption of the national unity and territorial integrity of a country."

While human rights are important, Fan added, the doctrine of "omnipresence and omnipotence of human rights will spoil its credibility," resulting in a gradual weakening and negation of state sovereignty.

"The attempt to raise the status of the issue of human rights on a par with that of the maintenance of international peace and security and of the economic development, or to take human rights issue as the supreme criterion of truth, do not increase the value of human rights, but decrease and even invalidate the vitality of UN Document on human rights," he said.

According to Fan, some Asian scholars, discontent with distortion of the issue of human rights, held that absolute individualism, unlimited personal freedom and over-emphasis on human rights to be enjoyed by individual persons will only undermine the groundwork of a modern society.

The rights of a human community and of a nation should prevail in their opinions.

Further more, many experts in Asia "are critical of the misconduct of some politicians of a big power," Fan said.

"The punishment of hooliganism according to law has provoked a so-called 'legitimate concern' of top-level leaders of a superpower over the 'human rights of its citizen'. However, this superpower did not hesitate in capturing the president of a small country to the court of that mighty country for a 'fair trial'."

Many Asian countries have openly expressed their opposition to the scrutinization of every government and even every cabinet member of this region by a superpower in the light of distorted standards of human rights, Fan said.

"This is not a promotion of human rights, but a reversal to an outdated idea — might is right," Fan pointed out.

At the meeting last week, Egyptian expert Ahmad Khalifa [spelling of name as received] also raised doubts about the human rights that the Western countries advocate, saying specific national situations of human rights is discussed "always within a political perspective, and the attention given by the major powers measures up with the special interests they have in a certain situation."

World Conference on Women Viewed

Bangladesh Minister Comments

OW0808133295 Beijing XINHUA in English
1109 GMT 8 Aug 95

[By Zhou Fang and Jiang Xianming]

[FBIS Transcribed Text] Dhaka, August 8 (XINHUA) — "We are looking forward to attending the fourth world conference on women to be held in Beijing in September and we hope it will be a very fruitful one."

"We want to know how much progress has been made concerning women's affairs globally after the Nairobi conference and what we are going to do for women in future."

Bangladesh Minister of State for Women and Children's Affairs Sarwari Rahman made these remarks in an exclusive interview with XINHUA correspondents at her office this morning.

The State Minister, who will lead a 38-member delegation to the Beijing conference, said her country has been fully prepared for attending the conference since late 1993.

"We have formed a national committee to guide the preparatory work and a number of seminars and a national conference have been held to take opinions from representatives from across the country," she noted.

She stressed that the social and economic status of Bangladeshi women has been much improved in the last two decades and the government has attached great significance to the issue of women.

According to the state minister, the highest body to look after women's affairs in the country is the National Council for Women's Development (NCWD) headed by Prime Minister Khaleda Zia herself and composed of representatives from government departments and non-governmental organizations (NGOs).

Latest official statistics show that women comprise 53 percent of the country's total population of nearly 120 million and about 90 percent of Bangladeshi women are living in rural areas.

So far, there have been 19 financial and educational programs implemented by the government and NGOs to help improve women's social and economic conditions in the countryside, she said. "thousands of thousands of women have benefited from the programs," she added.

She further noted that according to the law, 10 percent of all kinds of government jobs are reserved for women, while the parliament has also 10 percent of its seats, namely 30 seats, reserved for women MPs. At present, out of the total 330 MPs, there are 35 women in including five directly elected seats.

"Now we have women working in all professions," she continued, "we have women government officials, women teachers, women engineers, women police officers and even a women pilot who has been flying a DC-10 passenger plane since 1975."

Turning to women's issue in the SAARC region, the state minister said countries in this region will take a common position at the Beijing conference.

"Since SAARC countries have common problems concerning women, we want to solve the problems jointly," she said.

She mentioned the high unemployment rate, high illiteracy rate and high malnutrition rate and violation of women's basic rights as the common problems in the sub-continent.

During last month's regional ministerial meeting, the SAARC countries have reached a consensus to take a common position at the Beijing conference, which was revealed in "the Dhaka resolution on women" issued after the meeting.

Prime Minister Khaleda Zia, who will attend the Beijing conference as a special guest and not included in the 38-member Bangladeshi delegation, will highlight the common position of SAARC countries in her speech to be delivered to the meeting, according to the state minister.

The state minister, who paid a visit to China last August, said she was very much impressed by China's economic reform as well as the development of Chinese women.

"During my talks with Chinese women leaders, I told them we have a lot to learn from each other," she said. China could provide technical training to Bangladeshi women so as to increase their employment opportunities, she suggested.

According to the state minister, the Bangladesh delegation will be consisted of government officials, NGOs representatives, journalists and a college student. "The delegation represents women from all levels," she noted.

Mongella Lauds Preparations

OW0808164495 Beijing XINHUA in English
1549 GMT 8 Aug 95

[FBIS Transcribed Text] United Nations, August 7 (XINHUA) — China's preparation for the Fourth World Conference on Women is very well done, said Gertrude Mongella, Secretary-General of the conference, at a press conference at the Foreign Press Center here today.

Answering reporters' questions, Mongella, who visited Beijing recently, said the Chinese government and people have done their best for the preparation. Taking the venue of the NGO (Non-Governmental Organizations) Forum in Huairou, north of Beijing, for example, she said that it is the best place the NGOs could have.

She explained that the venue, covering 42 acres of land, has an integrated approach to servicing the NGOs. There are 102 places for meetings, with their sizes ranging from 50 people to 2,000 people, and that in some halls there are simultaneous translation facilities.

In order to check about the distance, which arose some participants' concern, she said she did drive from Beijing to Huairou and that took her 50 minutes without an escort car on a heavily rainy day. With a special expressway opening soon, it would take much less time, she added.

She noted that the Beijing conference is the largest one in U.N.'s history and that people are so interested in it because of the growing recognition that women's issues are no longer issues only concern women. "They are societal issues," she stressed.

Foreign Trade Ministers Attend Kunming Fair

OW0808164595 Beijing XINHUA in English
1546 GMT 8 Aug 95

[FBIS Transcribed Text] Kunming, August 8 (XINHUA) — The annual eight-day Kunming Export Goods Fair year opened here today, with 152 business people of overseas enterprises, 600 factories from 17 countries and regions, and of 828 Chinese enterprises attending.

Vietnam, Laos and Myanmar [Burma], countries bordering the southwest China region, have sent large trade delegations. The Myanmar delegation is headed by its Trade Minister Tun Kyi, the Vietnam delegation is headed by Foreign Trade Minister L. Van Thiet, and the Laos delegation by its Economic and Trade Minister Sompadit Volasan.

The fair was sponsored by Sichuan, Yunnan and Guizhou provinces, and the Guangxi Zhuang and Tibet autonomous regions, and Chongqing and Chengdu cities of Sichuan.

The region, with a combined population of 200 million, now has more than 10,000 foreign-funded enterprises.

Dalian Environmental Accord Reached

OW0908103295 Beijing XINHUA in English
1004 GMT 9 Aug 95

[FBIS Transcribed Text] Beijing, August 9 (XINHUA) — China, Japan, the Republic of Korea and Russia have agreed on setting up a center in Dalian, a coastal city in northeast China's Liaoning Province, to improve their cooperation in environmental protection.

The agreement was reached at a recent international symposium on the environment and development of Northeast Asia, which was held in Dalian.

At the symposium, environmental experts agreed that the government and people of every country have come to realize that the environmental issue is beyond the border, and pollution and damage to the environment not only threaten single countries.

Having inspected an institute of environmental science, a monitoring center and an information center in Dalian, experts from the four nations agreed to set up a cooperation center in the city. They also discussed setting up a Northeast Asia Environmental Information Exchange Network, an environment monitoring center, a personnel training center and a technology exchange center.

United States & Canada

TIME Article on 'Containing' China Criticized

HK0908072195 Beijing RENMIN RIBAO in Chinese
4 Aug 95 p 6

["International Forum" article by Zhou Zunnan (0719 1415 0589): "A Dangerous Stake"]

[FBIS Translated Text] A U.S. weekly magazine TIME has published a queer article entitled "Why We Must Contain China" in its 31 July edition. What is odd about the article is that it says something which some people from the U.S. political circles do want to say but do not want to say it explicitly. Through the mouthpiece of the "critic," it reveals everything about the strategy of "containing" and even "overturning" the Chinese legitimate government. It is a confession of hegemonism and power politics.

There have been some puzzling problems: The people of both China and the United States all hope to get along well with each other and China has never hurt the United States before. So, why do some people in the United States want to harm China? Why do some people in the United States want to interfere in China's internal affairs and to thwart and undermine China's reunification? Why do some people in the United States want to fabricate and spread the "theory of China menace?".... Now the answer is clear. It is because some people in the United States are pursuing a "containment" policy toward China.

Why do they want to "contain" China? One of the important reasons the writer cited is that China is "too big and too strong." This is ridiculous logic. Based on this logic, China has no right to build a big and strong country but should only satisfy itself with poverty and devote itself to things spiritual. Only by experiencing eternal poverty and weakness will some people feel assured. Otherwise, it is "China menace" that should be "contained." Is this not naked power politics?

"China tries relentlessly to expand its reach." This is another reason the writer has raised. This is just like a thief crying "Stop thief." It is known to all that China does not station any troops abroad. It is the United States

which extends its hand everywhere in the world and which does not hesitate to intrude sovereign states by force. Following the disintegration of the Soviet Union, it is also the United States which is busying filling the "vacuum." China has always opposed to hegemonism and to engaging in sphere of influence. This is the important reason why some people want to attack and even "contain" China.

In fact, the article published in the *TIME* is so full of absurdity that is not worth refuting. However, it is noteworthy that some U.S. influential publications have been publishing this kind of articles on "containing" China to poison the atmosphere of Sino-U.S. relations. By associating the article with the recent moves by the U.S. decision-making body on Sino-U.S. relations, people have every reason to believe that it reflects the ideas of certain people in the U.S. decision-making body.

"Containing" China is not a new game. More than 40 years ago when New China was founded, some people in the United States had raised such a proposal. They had organized a half moon anti-China ring of encirclement, waged the Korean War and the Vietnam War.... But what was the result of the containment? Now some people in the United States want to play the same old tricks. What can be the result? As Dr. Kissenger said, "it is a daydream to adopt a 'containment' policy toward China under the current situation."

"Overturning" China is really big talk! It is sheer wishful thinking. However, it can heighten our vigilance.

If people like the writer of the queer article in the *TIME* really believe that they can "contain" and "overturn" China, and want to have a dangerous stake, then, as Dr. Kissenger said, let them "audaciously stake the fate of their country!"

Southeast Asia & Pacific

Beijing Gives Indonesia Wind-Power Generators

OW0808153895 *Beijing XINHUA in English*
1510 GMT 8 Aug 95

[FBIS Transcribed Text] Jakarta, August 8 (XINHUA) — The Chinese government gave Indonesia 500 units of wind-power generators as gifts at a ceremony held in the Ministry of Cooperatives and Small Enterprises here today.

Signing the notes on behalf of their respective governments were visiting Chinese Vice Minister of Foreign Economy and Trade Li Guohua and General Director Mamiet Marjono who represented Indonesian minister of Cooperatives and Small Enterprises Subiako Tjakrawerdaja.

Li started a friendly visit to Indonesia today after attending the first meeting of the China-ASEAN Joint Economic Committee.

He today called on Indonesian Coordinating Minister for Industry and Trade Hartarto, Minister of Trade Satryo Budiardjo, and Minister of Industry Tungky Ariwibowo, and held friendly talks with them on further promoting economic and trade relations between the two countries.

Leaders Congratulate Singapore on Anniversary

BK0808123795 *Beijing China Radio International*
in Malay 0930 GMT 8 Aug 95

[FBIS Translated Text] Chinese President Jiang Zemin, Chinese State Council Premier Li Peng, and Chinese Foreign Minister Qian Qichen sent separate congratulatory messages to the leaders of Singapore today to mark the 30th anniversary of the Republic of Singapore on 9 August.

Jiang Zemin's congratulatory message reads:

To the Honorable President Ong Teng Cheong, president of the Republic of Singapore: On the occasion of the 30th anniversary of the Republic of Singapore, I wish to extend our heartiest congratulations and warm regards on behalf of the Chinese people and myself to all the people of Singapore through the honorable president. The peoples of China and Singapore have a close and traditional friendship. Over the past five years since the establishment of diplomatic ties between the two countries, the two sides have been successful in conducting exchanges and cooperation in various fields. I believe that for the sake of cooperation between the two sides, the friendship and cooperation between China and Singapore will be stepped up and further strengthened in the future. We wish the Republic of Singapore peace and prosperity.

Li Peng's message reads:

To Mr. Goh Chok Tong, the honorable prime minister of the Republic of Singapore: On behalf the Chinese Government and myself, I wish to extend my congratulations and warm regards to the government and the people of Singapore through the honorable prime minister on the occasion of the 30th anniversary of the Republic of Singapore. The friendly ties and cooperation between China and Singapore have expanded rapidly over the past five years since the establishment of diplomatic relations between the two countries. We believe and hope that bilateral relations will be further strengthened and expanded over time. May the Republic of Singapore be peaceful and prosperous.

Qian Qichen's message reads:

To Mr. S. Jayakumar, the honorable foreign minister of the Republic of Singapore: On the occasion of the 30th anniversary of the Republic of Singapore, I wish to congratulate you and extend my warm regards. May the Republic of Singapore be peaceful and prosperous. May the friendly relations and cooperation between China and Singapore remain close.

Near East & South Asia

CPPCC Vice Chairman Meets Egyptian Guests

OW0808053995 Beijing XINHUA in English
0532 GMT 8 Aug 95

[FBIS Transcribed Text] Beijing, August 8 (XINHUA) — Wan Guoquan, vice-chairman of the Chinese People's Political Consultative Conference (CPPCC) National Committee, met with Muhammad 'Abd-al-Jawad, vice-president of the Supreme Press Council of Egypt, and his party here today.

The delegation arrived here last Saturday at the invitation of the Press and Publication Administration of China. They will also tour Shanghai, Hangzhou and Shenzhen during their China visit.

Nepalese Prime Minister Views Ties

OW0808142695 Beijing XINHUA in English
1343 GMT 8 Aug 95

[FBIS Transcribed Text] Kathmandu, August 8 (XINHUA) — Nepal and China share many things in common and the relations between the two countries will expand to a new dimension of co-operation in the future, Prime Minister Man Mohan Adhikari said today.

At a talk program on the occasion of the 40th anniversary of the establishment of Nepal-China diplomatic relations, the prime minister said the relations between the two neighboring countries have been nurtured by people-to-people contact through the ages, noting the ancient Nepalese architect Arniko had brought Nepali art and craftsmanship to China.

China has consistently extended economic and technical assistance to Nepal in such fields as roads, industries, hydroelectricity and irrigation projects since the two countries established diplomatic relations on August 1, 1955, and the Nepalese people and government are thankful for China's contribution to the developmental needs for the last 40 years.

Speaking at the program, Chinese Ambassador to Nepal Shao Jiongchu said that China-Nepal ties have grown in strength and developed continuously in spite of changing international situation, and the two countries are engaged in fruitful cooperation in political, economic, cultural and other fields.

The program was organized by the Arniko Society, a private organization consisting of Nepalese intellectuals who had studied in China.

Among those who attended the program and made speeches were former prime minister Kirit Nidhi Bista, former speaker of the lower house Daman Nath Dhungana and spokesman for the National Democratic Party (RPP) Kamal Thapa.

Sub-Saharan Africa

Nigerian Artists' Visit To Promote Friendship

OW0808234095 Beijing XINHUA in English
2047 GMT 8 Aug 95

[By Xiong Mingshan]

[FBIS Transcribed Text] Lagos, August 8 (XINHUA) — The primary objective of the China visit by the Nigerian cultural troupe is to promote friendship and cooperation among the peoples of Nigeria and China, says Ambassador V.N. Chibundu.

Chibundu, Chairman of the Nigeria-China Friendship Association (NICAF), made the remark in an interview with XINHUA before the Nigerian Cultural Troupe which is headed by him left here for a two-week China visit today.

He said that China has in recent years been sending cultural troupes to perform in Nigeria as well as holding arts and crafts and books exhibitions here.

The 11 artists of the cultural troupe have been drawn from two art organizations in the eastern part of Nigeria. Five of them belong to "Nkwa Umu Agbogho", meaning "Ladies' Dance", the other six to "Nkpokiti", meaning "Tough and Hard to Overcome" performed by male group.

Both organizations have performed in almost all festivals of arts in Nigeria and have traveled to other African countries, Europe, North America, Latin America, except Asia, and won international awards.

Chibundu, who was Nigerian Ambassador to China from 1981 to 1984, said, "We also want to be able to interest the 1.2 billion Chinese in our culture. I am sure there are lots of them who have not the privilege to travel out of China don't understand the kind of culture that exists in Nigeria or in Africa."

"When they see the Nigerian artists' performance in China, they will be able to judge the level of our culture, the level of our education. We are not the kind of people described by some newspapers as no culture, uneducated and living like animals," he said.

Chibundu pointed out that the Nigerian cultural troupe he is leading is the first of its kind to visit China since Nigeria obtained independence from Britain in 1960. "At the same time, we want our artists to get more knowledge of the oriental civilization in China through their visit there," he noted.

Chibundu also said that NICAF has concluded an arrangement for a Nigerian economic delegation to visit China in October this year to explore the areas of cooperation in trade and investment between the business people of the two countries.

NICAF was founded in April, 1994, with the aim to create, promote and sustain broad exchanges in cultural, social, political and economic fields among the peoples of Nigeria and China.

Delegation Visits Uganda, Signs Agreement

*SK0808063395 Beijing XINHUA Domestic Service
in Chinese 2226 GMT 4 Aug 95*

[By reporter Gao Shixing (7559 1102 5281)]

[FBIS Translated Text] Kampala, 4 Aug (XINHUA)
— Officials of the Chinese and Ugandan Governments signed an agreement aiming at promoting the economic

and technological cooperation of the two countries here in Kampala today.

According to this agreement, China will provide government loans to Uganda to support its construction projects.

Mayanja-Nkangi, minister of finance and economic planning of Uganda, and Yang Wensheng, assistant minister of foreign trade and economic cooperation of China, who was conducting a visit here, signed the agreement on behalf of their respective governments. Both sides also signed on an exchange of letters on the Chinese Government's presentation of a group of materials to the Ugandan Government.

After the signing ceremony, Yang Wensheng and Lugikailei [name as transliterated], minister of state for finance of Uganda, held a work meeting. During the meeting, Yang Wensheng introduced China's new ways of supporting foreign countries and probed with the Ugandan side the issues on promoting the cooperation between the enterprises of the two countries.

The Chinese government economic and trade delegation led by Yang Wensheng arrived here on 3 August for a four-day visit to Uganda.

Political & Social

Beidaihe Meeting To Sack Chen Xitong, Discuss Taiwan

HK0908054695 Hong Kong HONGKONG
STANDARD in English 9 Aug 95 p 1

[By Pamela Pun]

[FBIS Transcribed Text] The ousted Beijing party chief, Chen Xitong, will be stripped of his Politburo membership and charged for antiparty activities during the enlarged Politburo meeting convened yesterday in the sea resort of Beidaihe, Chinese sources said. The sources said Mr Chen would possibly be brought to court for his alleged economic crimes and punished. Mr Chen would also be targeted for his regionism and anti-party activities. He was said to have formed a gang during this year's National People's Congress (NPC) session in March to challenge central authorities.

Mr Chen was forced to resign as Beijing party chief on 26 April for his "unshirkable responsibility" for the suicide of Beijing's former vice-mayor Wang Baosen. Since then he has been under investigation for alleged involvement in Wang's economic criminal dealings.

The closed-door meeting, chaired by Communist Party chief and Chinese President Jiang Zemin, also set out to tackle the Taiwan issue, economic problems and the building of the party, the sources said. The highly touted Ninth Five-Year Plan (1996-2000) would be left for debate and approval by the Fifth Plenum of the Communist Party's Central Committee in late autumn, while the enlarged Politburo meeting this year would concentrate on more urgent issues facing China.

An even more hardline stance towards Taiwan is expected to be adopted by the meeting in a bid to contain the swelling pro-independence forces on Taiwan. Besides a fresh salvo in the war of words against Taiwanese President Lee Teng-hui, Beijing will conduct a string of more war games aimed at curbing pro-independence forces on the Kuomintang-ruled island in coming months, sources said. The top leadership now views the Taiwan issue as the key to Sino-United States ties. It considers that "only if the Taiwan issue can be tackled, can there be better Sino-US relations", the sources said.

The meeting is also set to debate whether to continue the nearly two-year-old macro-level controls and adjustments to China's economy. Beijing will review the economic situation deriving from the credit-tightening policy of the past two years. The centre is facing mounting pressure from regional governments to lift harsh credit-tightening measures to rescue a cooled economy.

Besides Politburo members, senior officials in charge of Taiwan affairs and relevant government agencies were attending the high-profile meeting scheduled to last a week, the sources added. The Beidaihe summer resort, on the northeast coast of Hebei province, has been used by Chinese leaders for important meetings in past decades.

Beidaihe Meeting Adopts Carrot-and-Stick Policy

HK0908071295 Hong Kong SOUTH CHINA
MORNING POST in English 9 Aug 95 p 8

[By Willy Wo-Lap Lam]

[FBIS Transcribed Excerpt] The Beijing leadership is set to pursue a Taiwan policy of "the threat of the use of force" coupled with the offer of economic advantages to the business community on the island.

The next steps towards Taiwan, including what new war games to hold in the vicinity of the Taiwan Strait, will be decided at the on-going series of high-level meetings at the Beidaihe resort. Sources familiar with Beijing's Taiwan policy said much would depend on the response of the administration of President Lee Teng-hui, in particular whether it would seek to strengthen the arsenal of the Taiwan Army.

The sources said the party's Leading Group on Taiwan Affairs, headed by President Jiang Zemin, had seized back the initiative in Taiwan policy-making from other power blocs. They said while military exercises planned for the rest of the year would go on according to schedule, they would be fine-tuned to meet daily requirements, particularly reactions from Taipei. For example, if Mr Lee decided to schedule provocative war games in the runup to the October 10 festivities in Taiwan, Beijing would respond with an even larger-scale exercise in nearby Fujian province. The same would apply if Taipei proceeded with plans to buy new weapons such as antimissile defence systems.

In the past week, military districts under the Nanjing Military Region, including the Fujian and Zhejiang districts, have been given orders to boost logistics support for possible new manoeuvres. It is understood that if Beijing goes ahead with new war games close to Taiwan, more sophisticated weapons systems will be deployed. [passage omitted]

At the same time, Beijing is proceeding with efforts to woo the so-called Non-Mainstream Faction of the Kuomintang (KMT) and the business community. Leaders in cities including Fuzhou and Shanghai have released new statements saying Taiwan investors are not only welcome but their investments will also be fully protected. Beijing is providing propaganda and other

support to Non-Mainstream candidates running for parliamentary and presidential elections in December and next March. Yesterday, Hau Lung-ping, son of Non-Mainstream stalwart Hau Pei-tsun, said he would withdraw from the KMT nomination for the legislative election.

Beidaihe Parley Stresses Central Control

HK0908070895 Hong Kong SOUTH CHINA MORNING POST in English 9 Aug 95 p 1

[By Willy Wo-Lap Lam]

[FBIS Transcribed Excerpt] Strengthening fiscal discipline and fighting regionalism have dominated the first phase of the marathon meeting of the Chinese leadership at Beidaihe, which opened yesterday.

Speaking at the North China seaside resort yesterday, Vice-Premier Zhu Rongji called for tighter central control and the propagation of the spirit of "localities heeding the overall national interest".

Apart from seeking a consensus on the final draft of the Ninth Five-Year Plan (1996-2000), leaders including President Jiang Zemin and Mr Zhu are anxious to re-assert central authority, particularly over taxation and investment. With a renewed mandate from the Politburo, Mr Zhu is expected to cross swords with regional "warlords" in the conferences until about the end of the month.

Sources in Beijing said that, in spite of the introduction of a "dual-tax system" in early 1994, Beijing's share of national revenue had only improved marginally. Moreover, the central Government had been unable to redress the worsening income gap between the coast and the hinterland regions.

Apart from the higher level meetings involving Politburo members and party elders, there were several fringe meetings, including one on taxation in which the spirit of austerity was reflected. [passage omitted]

The Beidaihe meetings will also touch on issues including corruption, the cadre system, and policies towards Taiwan and the U.S..

Yang Shangkun Maneuvers To Prepare for Post-Deng Era

HK0908065595 Hong Kong SOUTH CHINA MORNING POST in English 9 Aug 95 p 9

[By Willy Wo-Lap Lam]

[FBIS Transcribed Text] Former president Yang Shangkun has been manoeuvring behind the scenes to gather strength in the run-up to the post-Deng Xiaoping era. Political sources in Beijing said while President

Jiang Zemin regarded Mr Yang's activities as a threat, he was unable to stop them.

Mr Yang, 88, returned to Beijing last month after a heavy schedule of provincial tours that started early this year in Guangdong, a key power base. While the national media has been under orders from Mr Jiang's office to play down the visits, it is understood Mr Yang has been to the northeast and to central and western provinces including Shanxi and Guangxi. While in the provinces Mr Yang, a former secretary-general of the Central Military Commission and head of the Central Committee General Office, held talks with provincial party secretaries, governors and retired cadres. And, while Mr Jiang's secretaries had given orders that Mr Yang be handled "no differently from an ordinary retired cadre", the former president was accorded VIP treatment.

Political sources said Mr Yang was now satisfied that he could count on the support of a large contingent of party elders and central and provincial cadres. This pool would be useful to the former president if a power struggle were to break out after Mr Deng's demise. A source close to party headquarters in Beijing yesterday said Mr Yang had staged a "show of force" in an exclusive private club in the capital, as the guest of honour of a group of retired but still influential cadres from both Beijing and the provinces.

The source said Mr Yang was undaunted by the fact Mr Jiang had indirectly turned down his request for a job that "befits his ability". The demand, in a private letter the ex-president sent the party's Central Committee, was considered an act of defiance.

During his provincial tours, Mr Yang told his hosts his health was still excellent and that he was willing to continue to work for the future of reform. A prominent party leader by the 1930s, Mr Yang is close to such leaders of the moderate factions as former National People's Congress chairman Wan Li and the ousted party chief Zhao Ziyang. Analysts said apart from Mr Deng himself, no other active politician could rally as many heavyweight representatives from party and army factions.

Mr Yang, an architect of Guangdong's economic policies in the late 1970s, commanded the support of regional cadres who wanted a larger degree of autonomy from Beijing.

Police Arrest War Reparations Activist

BK0908024395 Hong Kong AFP in English
0228 GMT 9 Aug 95

[FBIS Transcribed Text] Beijing, Aug 9 (AFP) — The leader of China's unofficial movement for securing war reparations from Japan, Tong Zeng, has been arrested by police, a fellow activist said Wednesday.

Tong was arrested at his home Tuesday afternoon, one day after police raided a press conference for foreign journalists organized by Tong and his lobby group — the Chinese Committee for Demanding War Reparations.

"Three policeman came to his house at around 5:00 p.m.," the activist said, adding that Tong was still in police custody.

Another leading light in the committee, Li Dingguo, who was detained during Monday's raid, said he was released after 24 hours and warned to keep a low profile in future.

Tong has dedicated the past six years to pushing Japan to compensate Chinese victims of atrocities committed by occupying forces in the 1937-45 anti-Japanese war.

Although the Chinese Government officially waived its rights to war reparations from Japan when establishing diplomatic relations in 1972, it is sympathetic to unofficial pressure groups, as long as they refrain from public demonstrations.

However, Tong's increasingly high-profile activities have angered the authorities, who confiscated his passport two weeks ago to prevent him leading a delegation to Japan to press compensation claims.

Japan is China's largest creditor and foreign trade partner, and Beijing is concerned over any activities that might upset already delicate bilateral ties.

Tong has also been barred from the upcoming Fourth World Women's Conference in Beijing, where he had intended to address a seminar on "comfort women" — women forced to serve as prostitutes for Japanese soldiers during World War II.

CPC Urges Members To Study Party Theories

HK0908055895 Beijing RENMIN RIBAO in Chinese
28 Jun 95 p 3

[Dispatch: "Activity of Studying Theory and Party Constitution Gradually Spread to the Whole Party"]

[FBIS Translated Text] Beijing, 27 June 1995 (RENMIN RIBAO) — This reporter has learned from the Organization Department of the CPC Central Committee that ever since the convocation of the Fourth Plenary

Session of the 14th CPC Central Committee, a study activity involving both the study of theory in building socialism with Chinese characteristics and the party constitution, which aims to enhance the quality and party spirit of the CPC party members, is currently being unfolded among party members of all localities in a planned step by step way. Rapid progress and initial results have been registered in the implementation of this study activity among party members in localities and units where the leaders have paid sufficient attention to the work.

One of the major features of this study activity among party members is that leaders have attached great importance to promoting the activity, with concrete arrangements having been worked out and various measures drawn up for implementation. On the basis of thoroughgoing studies and investigations, all provinces (autonomous regions and municipalities), organs directly under the CPC Central Committee and the central government, as well as railway and civil aviation departments across the country have formulated a three-year program, as well as an implementation plan for promoting this study activity among party members. Most provinces, autonomous regions, and municipalities, including Beijing, Shandong, Hubei, and Shaanxi, have established leading organs which are charged with the task of organizing this study activity among party members. Localities in Jilin, Inner Mongolia, and Sichuan have paid close attention to training the ranks of activists in theoretical study, who can then assist others with their theoretical studies. Localities, such as Fujian and Zhejiang, have sent a number of propaganda and lecture groups, which are composed of activities selected from party schools and lecturers' troupes, grassroots-level party schools to open courses for theoretical study activists there, and to help party members from grassroots units resolve difficulties they have met in their studies. Provinces like Jiangsu and Hebei have succeeded in promoting the study activity by launching pilot projects of various types and then spreading their experiences to other units. While carrying out the study activity, a number of localities, including Shanghai, Henan, and Tianjin, have also engaged themselves in the emulation of advanced individuals, intelligence contests, and other activities; through such diversified activities, these localities have attained results in promoting the in-depth progress of the study activity among party members. In addition, making full use of the means of audio-visual education, all localities have put on show a number of video-films for their party members, including the film named "Kong Fansen—A Model for Leading Cadres," thus providing grass-roots units with vivid and objective teaching aids in their implementation of the study activity.

Constantly helping party members enhance their understanding of the importance of this study activity is a precondition for the success of the activity. In view of this, party committees at all levels have organized party-member cadres to study the decision of the Fourth Plenary Session of the 14th CPC Central Committee, stressing the need to regard it as a fundamental task for the party's ideological building to study both the theory of building socialism with Chinese characteristics and the party constitution. Through the study, they have successfully helped party members establish correct ideals and beliefs; uphold the aim of serving the people wholeheartedly; and acquire a correct understanding of how to fulfill the obligations, wield their rights correctly, and give play to the exemplary vanguard role of party members. In view of some comrades' complaints about their heavy workload and lack of time for studies, many units have taken steps to properly handle contradictions between work and study, helped people enhance their understanding, and made appropriate arrangements in this regard; as a result, all party members in these units are now able to take part in the study activity. The party committee of the Civil Aviation General Administration of China has always stressed the need for leading cadres to play an exemplary role in the study. During the course of organizing the study activity, the Xingou township party committee in Funing County of Yancheng City, Jiangsu Province, has noticed that there exist many misunderstandings among its party members and cadres, who generally believe that "theoretical studies are something that concerns only leading cadres and has little to do with party members at the grassroots level." To counter this problem, the township party committee has launched an activity of "gaining three understandings based on three through's," which means to understand the necessity of this study activity, which the CPC Central Committee plans to spread to all party members across the country in three years' time, through reviewing the theoretical studies of rural party members and cadres in recent years, reaffirming their results, and finding out where they fall short; understand the importance of this study activity through propagating and studying the deeds of typical advanced individuals; and understand the urgency of this study activity through analyzing problems currently existing among party-member cadres. As a result, the party member and cadres of the township have successfully reached a consensus on the issue, and enhanced their conscientiousness in taking part in the study activity.

The leading role played by party-member leading cadres as well as party and government leading organs in theoretical studies is pivotal to promoting the progress of this study activity among party members. Starting with its provincial party committee, Liaoning Province has

urged the principal leading comrades of party committees at all levels to play an exemplary role in actively engaging themselves in and bringing further progress to the study activity among party members. Today, a new situation is taking shape across the province wherein principal leaders are assigned responsibility for and are required to take part in the study activity, with one level taking charge of the work of its immediate lower level. Principal leading comrades of a number of regions and units, such as Sichuan, Jilin, and the Civil Aviation General Aviation Administration of China, have published articles to talk about their personal understanding of this issue, with a view to helping grassroots units further enhance their knowledge of the targets and requirements of this study activity among party members. The Work Committee for Central Government Organs has made timely arrangements and put forward detailed requirements for the implementation of this study activity among party members. In particular, it has stressed the need for party-member leaders at and above the departmental level to play an exemplary role in the study activity. At present, the study activity has been comprehensively unfolded in more than half of the ministerial organs and commissions under the central government; a total of 247 sessions of courses have been offered to 7,880 party members, among whom over 4,000 are party-members and leading cadres at and above the departmental level. Besides arousing the initiative of all subordinate organs in participating in the study activity, principal leading comrades of the Ministry of Chemical Industry also took part in the first rotation-training course designed for party members, together with other members of the ministerial party committee. Following this good example, 98.5 percent of the ministry's party-member cadres have so far participated in the study activity. By far, China's railway sector has organized more than 2,700 sessions of training courses to a total of some 150,000 party-member cadres working in administrative organs and party members in grassroots units.

To develop the study activity in depth, it is also important to integrate theory with reality when trying to solve prominent problems currently existing in the contingent of party members. In the spirit of rectifying incorrect styles of work, organs directly under the Shanxi provincial party committee and government have guided their party-member cadres to apply theory to reality, and to measure themselves to find out their shortcomings. A total of 111 units have conducted investigations into problems that the masses particularly resent, and dealt with them promptly. Through studies, remarkable improvement has been registered in the work style of a number of government organs, such as the provincial Finance Bureau, Agricultural Bank, and Metallurgy Bu-

reau, which have strived to gear themselves to the needs of the grassroots units, provide them with more services, and help them solve practical problems, and do good deeds for the masses in a more willing and down-to-earth manner. By so doing, they have successfully put an end to the past malpractice whereby the masses could hardly find access to these government organs, had to see cold faces, and found it difficult to have their problems solved. Regarding it a key issue in the study of party members to firmly establish the aim of serving the people wholeheartedly, the party committees and work committees of provincial government organs in Liaoning launched at the beginning of this year a large-scale activity of "linking up government organs with villages, and supporting the poor and providing relief for families with material difficulties." Today, 55 government organs have established ties with 95 impoverished villages or problem-ridden enterprises, raised 1.74 million yuan for 219 families with material difficulties, and donated a batch of farming-related materials, including chemical fertilizers, seeds, and livestock, as well as stationery and recreational equipment. Through studies and discussions, party members in a number of villages in Tianmen City of Hubei Province have devoted both energy and time to the building of public utilities on their own initiative, and donated money to assist the construction of new highways and enterprises, thus winning the praises of the masses. Meanwhile, many localities have organized their party-member cadres to emulate the advanced deeds of Kong Fansen, held regular party activities for party members and regular democratic-life meetings for leading bodies, and encouraged them to measure themselves by the deeds of the advanced so as to find out their weak points in the fields of ideological understanding, everyday operations, and the style of work. As a result, large numbers of party members have vied with each other to sign up for work in Tibet. In its bid to put an end to problems existing among a handful of party-member village cadres, Heilongjiang Province has, on the basis of an enhanced understanding gained from studies, concentrated its efforts on rectifying problems which the masses resent the most, such as entertaining on public funds, seizing public assets, and taking possession of excessive land; and dealt sternly with cadres who have violated the law and party discipline.

The Organization Department of the CPC Central Committee has pointed out: The activity among party members to study both the theory of building socialism with Chinese characteristics and the party constitution is enjoying a sound development momentum, and we have attained certain results and accumulated some experience from the activity. Compared with the requirements set by the central authorities, however, we still have a

long way to go. Today, some localities have already begun to sum up their experience gained from the study activity over the past period, and are drawing up new requirements for promoting an in-depth development of the activity for the coming period. Leading cadres should attach great importance to and take the lead in carrying out the study activity. To do this, they should, on the basis of organizing party-member cadres to study Comrade Deng Xiaoping's original works, conscientiously study the "Program Guiding the Study of Comrade Deng Xiaoping's Theory of Building Socialism With Chinese Characteristics" compiled and issued by the Propaganda Department of the CPC Central Committee, put in time and energy to grasping the essence and scientific nature of the theory of building socialism with Chinese characteristics, and bring about an in-depth development to the study activity among party members on a constant basis.

Central Leaders Said To Oppose Jiang Zemin

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MORNING POST in English 9 Aug 95 p 17

[From the "Analysis" page, article by Willy Wo-lap Lam: "The Haunting of Jiang"]

[FBIS Transcribed Text] Suddenly, everybody is at centre stage. The cow ghosts and serpent gods, to use Mao's parlance, are claiming their last shaft of limelight even as the curtain is falling on a major era of Communist-Chinese politics. If Deng Xiaoping is being given a new lease of life, so is a gallery of evergreen potentates from opposite ends of the spectrum. They include Maoists such as former chairman Hua Guofeng and Mao bodyguard Wang Dongxing; heavyweight octogenarians Yang Shangkun, Wan Li and Song Ping; and unrepentant bourgeois-liberals such as former party chief Zhao Ziyang.

Given the conservative leanings of Jiang Zemin and his unsubtle support for "de-Dengification", it can no longer be assumed that Mr Deng, even if he is coherent, still wants the president to take over his mantle. However, the New Helmsman is still anxious that the transition to "the new era" be stable. The risqué shenanigans of the goblins and deities, however, might ensure that the passage to the post-Deng epoch be both messy and destabilising.

The observation of the 50th anniversary of the end of the Sino-Japanese War has given a pretext for hordes of retired cadres to reclaim the stage. Mao's designated successor Mr Hua, still intensely popular among the old guard, was guest of honour at an exhibition of anti-fascist paintings and calligraphy last week. Mr Yang, perhaps Mr Jiang's most intractable foe, returned to

inspect his old guerilla bases in the legendary Taiheng Mountains, Shanxi province, early last month. Mr Zhao took advantage of other commemorative events — the funerals of old cadres including former minister of machine industry Zhou Jiannan — to make his first semi-public appearances since he was dumped by Mr Deng in June 1989.

These escapades, while apparently haphazard and innocuously sentimental, have been viewed with alarm by Mr Jiang. The focus of the interest of the gods and the demons can only be the transition, which, in the president's mind, is non-negotiable.

For easier viewing, let us concentrate on the exploits of Mr Yang, who, at 88, is as sprightly as a leopard after his prey. After reminiscing about how he and his comrades slaughtered the "Japanese devils" in the 1930s, Mr Yang, a former secretary-general of the Central Military Commission, went on to tour Jiangxi and other provinces last month. This is despite explicit warnings given Mr Yang by the Jiang Zemin Office that he refrain from networking among regional military and civilian cadres.

The former president, who has spurned official World World II-related activities organised by Mr Jiang, then showed up in Beijing to hobnob with his cronies. He was seen gulping XO in an exclusive Beijing club with former National People's Congress (NPC) Chairman Wan Li and several members of the Central Advisory Commission (CAC). Mr Deng dissolved the CAC in 1992 so that it would not serve as a club for malcontents, as well as masterminds of conspiracies and coups.

Mr Yang also reportedly put out feelers to his old friend Mr Zhao about a political link-up. However, the 76-year-old former general secretary, who is in good health except for recently diagnosed diabetes, is weighing his options.

Political analysts said that given the fact that Mr Yang and his associates had been banished from the centre of power, they would unlikely fire the initial shots. Mr Yang's strategy seems to be to throw his support behind whoever among Mr Jiang's opponents would stage the first challenge against the president.

Recently, NPC Chairman Qiao Shi, the only politician deemed capable of standing up to Mr Jiang, has been taking an intriguing course. Last month, Mr Qiao, the leader of the party's moderate wing, went to the northeast provinces hot upon Mr Jiang's heels. While the president's recipe for curing the northeast, a disaster zone of ailing state enterprises, is emergency government aid, Mr Qiao urged a more thorough liberalisation. "The fundamental way out of difficulties

lies in deepening reform," he said in Changchun, capital of Jilin province. In speeches to local cadres, which were later splashed on the front pages of newspapers, Mr Jiang stuck to hackneyed themes such as defending public ownership and "staying away from the capitalistic economy". While meeting a group of noncommunist officials in Jilin, Mr Qiao pointed out that Beijing must "fully develop the functions of non-communist cadres in democratic supervision and taking part in politics."

In late spring, Mr Qiao also retraced Mr Jiang's steps to the east coast. While the party chief wallowed in platitudes about the "leitmotifs of patriotism, collectivism, and socialism", the NPC chairman talked about elements of grassroots democracy such as supervision of regional cadres by people's congresses.

Mr Qiao's hidden agenda of upstaging, and then supplanting, Mr Jiang could not be clearer. It is too early to talk about a pro-Qiao alliance being formed among the party elders, even though some intellectuals in Beijing are very excited about a Yang-Wan-Zhao-Qiao axis.

There are also indications that Mr Jiang is getting nervous. The president, who is also chairman of the Central Military Commission, has pulled out all the stops to placate the generals and other king-makers. New bridges have been built to conservative elders including Song Ping and Deng Liqun, the guru behind the ongoing revisionist assessment of Mr Deng's reform theories. Equally significant, Mr Jiang seems to have bolstered the status of Vice-Premier Zhu Rongji, at one point considered Mr Deng's favourite protege. There were reports that Mr Zhu had been given charge of the Politburo when both Mr Jiang and premier Li Peng were away from the capital. Given Mr Zhu's lack of personal ambition — his base in the party and army is too thin to propel him to the very top — Mr Jiang is anxious to sign up the generally effective economic czar as an ally.

The unexpected upturn in Mr Deng's health has prolonged the agony of the transition process. Enemies of Mr Jiang want to profit from the last breath of the Chief Architect of Reform to curtail the unpopular president's reign. And with the patriarch reportedly still capable of seeing old friends, any thoughts the pretender to the throne has regarding a bloody purge of his enemies are hamstrung.

The new century is upon us. Electronic wizardry has long replaced black-and-white scenes, but the indefatigable thespians on the China stage are determined as ever to act out the finale of the dynastic melodrama.

CPC Set To Crack Down on Princelings

*HK0608081295 Hong Kong MING PAO in Chinese
3 Jul 95 p C3*

["Special report": Series of articles by Lan Tien (5663 1131), Hsiao Tan (2556 0030), Liu Chien (0491 5324), and Yang Yang (3152 3152): "China's Party of Princelings as Viewed From the Kidnapping of Chen Xianxuan" — first two paragraphs are staff reporter's introduction]

[FBIS Translated Text] Both the victim, Chen Xianxuan, a Shenzhen businessman, and his kidnapper in a recent kidnapping case in Shenzhen have connections with the party of princelings within the CPC. The strife between the CPC senior cadres' children who have gone into business, which now has brought into the open, shows their bad habit of ignoring laws and discipline.

A source said that the upper echelons in Beijing have ordered the investigation of the case. Leafing through the 16-year history of reform and opening up, one will easily find cases involving senior cadres' children who have raked in a lot of money by taking advantage of the economic liberalization and their network of connections. The case involving Wang Bing and Chen Xianxuan is only the tip of the iceberg.

By Lan Tien [5663 1131]: "Families of Wang Zhen and Ye Jianying Cross Swords — Incoming Heavyweight Wang Bing Challenges a Local Bully"

The kidnapping of Chen Xianxuan, chairman of the board of directors of the Shenzhen Donghui Joint-Stock Industrial Company and grandson-in-law of the late PRC Vice President Ulanhu, concerned Wang Bing, son of Wang Zhen, also a late PRC vice president. Both victim and kidnapper came from CPC elders' families. The incident reveals the princelings' deep-rooted habit of defying laws and discipline. The Beijing upper echelons reportedly have ordered that the case be investigated and dealt with. This is a signal of the third-generation CPC leadership's further cracking down on the princelings' breaking laws.

On the afternoon of 26 June, Chen Xianxuan was kidnapped by some people sent by Wang Bing, general manager of the China Marine Helicopter Company. According to a report, a debt of over 10 million yuan, which Chen owed Wang a few years ago, led to the kidnapping.

According to an informed source, the kidnapping party sent Chen to the public security bureau rather than to his residence when they "released" him. This was mainly because Wang insisted on bringing a suit against Chen, while Chen confronted Wang by drawing support from

his "behind-the-scenes" connections. The two parties felt secure in the knowledge that they had strong backing, so they could not get out of the predicament.

Though Wang is a princeling, Chen also has connections with the "party of princelings." Chen, over 40, is grand son-in-law of the late PRC Vice President Ulanhu. The informed source said: Though Chen is at odds with his wife, Ulianonuo, they are not divorced. In the meantime, Chen is in close association with the daughter of a late state leader. Though Chen did not come from a senior cadre's family, he has made use of his connections to increase his influence among the children of senior cadres. After leaving Wang Bing (he was formerly Wang's chauffeur) to set up his own business, he engaged Wu Xiaolan, wife of CPPCC Vice Chairman Ye Xuanping, son of late CPC elder Ye Jianying, who was one of the 10 CPC marshals, as honorary chairman of the board of directors of the Donghui Enterprise. Therefore, the kidnapping case later was interpreted as a dispute between the families of Wang Zhen and Ye Jianying. It has been learned, however, that the incident has attracted attention from the upper echelons in Beijing. They have ordered that the case be investigated and dealt with, and that the kidnapping case be separated from the economic disputes.

A relevant figure pointed out: The people involved in the case possibly may become the first target of attack against the "princelings" committing economic crimes in the new round of the anticorruption campaign. This is a move following the detention of Zhou Beifang, son of Zhou Guanwu, former secretary of the Shoudu [Capital] Iron and Steel Company, in February this year for economic crimes, so it merits attention.

How to deal with senior cadres' children who "break the rules" in going into business has been a difficult problem facing the CPC over the last decade. In early 1980's, Zhu Qianhua, grandson of former NPC Chairman Zhu De, and Hu Xiaoyang, son of Hu Lijiao, former secretary of the Shanghai Municipal CPC Committee, were executed for violating criminal laws, while Ye Zhifeng, daughter of former NPC Vice Chairman Ye Fei, was sentenced to prison for economic crimes. However, the economic cases involving children of those at the core of the leadership were treated leniently or left unsettled. In the 1988 campaign against "official profiteering," though the Kanghua Company was targeted and closed down, Deng Fufang, Deng Xiaoping's eldest son, who ran the company, was not guilty. The cases of Zhao Dajun and Zhao Wujun, sons of former CPC General Secretary Zhao Ziyang, had been placed on file for investigation and prosecution, but no results were published.

Nevertheless, the third-generation CPC central leadership, which now is taking over political power, will not hold back from taking action against the princelings for fear of involving CPC elders, with Deng Xiaoping as their representative, because the latter's influence is waning. By cracking down on the princelings, the present leadership will win popularity and enhance their prestige so as to maintain overall stability, thus killing two birds with one stone.

By Hsiao Tan [2556 0030]: "Party of Princelings Took Shape When the CPC Headquarters Were Still in Yanan; Princelings Claim Privileges and Favor, Demonstrating Their Belief in Hierarchism"

There might be various reasons for the formation of the party of princelings, but the special mentality decided by the peasantry in the CPC, as well as the deliberate training and promotion given to princelings representing this mentality, must be principal among them.

Back in the civil war period, when the CPC had gotten a firm foothold in Yanan, a special nursery school was set up for the children of senior leaders and martyrs, and some of the children who were old enough to study abroad were sent to the Soviet Union, which had better conditions for study and "had the same spiritual affinity with the CPC," to further their studies. If this was a special arrangement under special conditions brought about by the civil war, the relevant steps taken after the founding of the PRC clearly reflected the CPC's feudal idea featuring hierarchism and privileges, carrying forward a several thousand year-long tradition of rule by man.

After the founding of the PRC, the CPC set up quite a few middle and primary schools that were exclusively for senior cadres' children. In Beijing, such schools included the Yuying Primary School, the Yuhong Primary School, the "1 August" School (a primary-secondary school), the "1 October" School, the Fourth Secondary Boys' School, the Eighth Secondary School, and the Secondary Girls' School attached to Beijing Teachers' University. Some schools clearly stipulated that only children of cadres at a certain level and above were admitted. Usually, only children of cadres at the regimental level and above, in the case of military officers, and at the county or section level and above, in the case of local cadres, were entitled to this privilege. Some were residential schools, and in front of them every Saturday and Monday were seen cars of every model to pick up and deliver cadres' children. Similar schools were set up in various localities where conditions permitted.

In early 1950's, the CPC sent the children of senior cadres to the Soviet Union or to East European countries to receive college education. Jiang Zemin, Li Peng, Zou

Jiahua, and Li Tieying had such experiences. Later, affected by the Soviet Union's technocracy, the CPC set up its own Harbin Military Engineering Institute. Many children of senior cadres — including Mao Zedong's nephew, Mao Yuanxin; Zhu De's son; and Marshal Ye Jianying's adopted daughter, Dai Qing, now a dissident — were sent there to study science and technology.

A special educational environment naturally helped cultivate the "princelings' special privilege mentality." One of "princelings'" bad habits was that they "did not make contacts with common people," and once they rose to power and position, more often than not they would help their former classmates, famous or not. Chen Yuan, who graduated from the Beijing Fourth Secondary Boys' School, took in so many classmates and schoolmates after he was appointed secretary of the Beijing Western District CPC Committee that the district was described by the public as being run by the "gang of the Fourth Secondary Boys' School." Chen Xiaolu, Marshal Chen Yi's son who had studied in the Eighth Secondary Boys' School, also took in his former classmates and good friends when he worked with Zhao Ziyang's Political Structural Reform Research Institute.

Of course, there were other reasons for the formation of the "party of princelings." A person who was regarded as a member of the "party of princelings" said openly: Since childhood, we have seen and heard our fathers handle state affairs, so we naturally are more mature than other people.

Some local officials were more straightforward in saying that they were willing to assign "princelings" to important positions mainly because these people "had direct access to the highest authorities." They hoped to utilize the princelings' ties with the central authorities to bring more benefits to their own localities.

By Liu Chien [0491 5324]: "Princelings Belong to Three Different Strata"

The children of CPC senior leaders, of martyrs who died in the revolutionary war, and of high-ranking non-communist figures are referred to by people at home and abroad as "the party of princelings," but the CPC authorities and those called princelings have denied that there is "a party of princelings" in China.

Judging by their characters, the designation "party of princelings" is really inaccurate because an "party" needs an organization and a program, but "the party of princelings" lacks an organizational form. Nevertheless, there is such a force in China, and people can only call it "the party of princelings," which may not match it in terms of "its form," but does in terms of "its essence." "Princelings" belong to three strata in terms of age.

The first stratum covers the children of CPC elders defined by Deng Xiaoping as the first generation of CPC leaders and of martyrs who died in the revolutionary war. These people — including Li Peng, Zou Jiahua, Li Tieying, Ye Xuanping, Buhe, Ding Henggao, Nie Li, Chen Yuan, Deng Nan, Huang Yicheng, and Liao Hui — have constituted the core of political power. Others — like Wang Jun, He Ping, Chen Weili, and Deng Zhifang — have gone into business, and have headed a number of state-owned conglomerates (for details see the table below). What merits mentioning is that the CPC's most senior leader, Jiang Zeming, also can be considered a princeling. His foster parents reportedly were regarded by the CPC as "enlightened democratic personages" before and after the War of Resistance Against Japan. Since his foster parents had helped the CPC a lot, Jiang received special care in his rearing.

This group of princelings are all now well over fifty, and also have had their own "princelings." Some even have had grandchildren. This group of princelings is the most mature part, and thus the soul of "the party of princelings."

The second stratum covers the children of those referred to by Deng Xiaoping as leaders of the second generation (namely senior officials appointed after the founding of the PRC) and of younger CPC elders. Among these people the most famous are Dalian Mayor Bo Xilai and Xi Jinping. A number of these people who chose to act as officials have yet to become core members of state power, but quite a few of them can be called "stars of tomorrow." However, most of them have gone into business, though they have a long way to go to match their elders in terms of the scale and size of their businesses. Some of them remain individual business operators. For example, Bo Xicheng, younger brother of Bo Xilai, resigned his position as director of the Beijing Tourism Administration and organized his own company. He claimed that he would not "look to the state for his subsistence for life." Though he has done a fairly good job, his company is a far cry from Wang Jun's China International Trust and Investment Corporation.

The third stratum covers younger princelings. In this group, none reportedly has joined official circles; most have gone into business. To these people, their families' influence and their parents and grandparents' connections are indispensable, yet they have a long way toward achieving something big. People like Chen Xi-anxuan stand head and shoulders above others in this group.

Viewed from another angle, "princelings" can be divided into two categories: Those who go into business

and those who join the political circles involving the party, government, and military. No princeling has been heard to have joined the Army's decision-making body. Of those princelings who recently were promoted to the rank of general, none other than Ding Henggao is the offspring of well-known persons. However, quite a few princelings are lieutenant- or major-generals. According to a report, when the General Staff Headquarters once called a meeting of high-ranking officers, many participants were members of the "United Action Committee" and the "Beijing Western District Pickets," both being organizations of Red Guards during the Cultural Revolution. A few princelings are different from others; they have become popular owing to their social activities. For instance, Deng Pufang, president of the Chinese Federation of the Disabled, and photographer Yang Shaoming, who is well-known for taking pictures of Deng Xiaoping and other CPC elders.

Deng Xiaoping:

- Eldest son Deng Pufang, director in chief of the China Welfare Fund for Handicapped [as published]
- Youngest son Deng Zhifang, chairman of the board of the Shanghai Sifang International Company
- Eldest daughter Deng Lin, painter and chairman of the Dongfang Fine Arts Exchange Association
- Second daughter Deng Nan, vice minister of the State Science and Technology Commission
- Youngest daughter Deng Rong, Deng's private secretary
- Son-in-law (Deng Rong's husband) He Ping, general manager of the PLA General Staff Headquarters Poly Science and Technology Company

Chen Yun: (dead)

- Eldest son Chen Yuan, vice governor of the People's Bank of China
- Youngest son Chen Fang, Beijing cadre
- Eldest daughter Chen Weilan, vice director of the CPC Organization Department Young Cadre Bureau
- Second daughter Chen Weihua, vice principal of the Shiyuan Secondary School attached to Beijing Teachers' University
- Youngest daughter Chen Weili, chairman of the board of directors of the China Chuangye Technology and Investment Company

Yang Shangkun:

- Eldest son Yang Shaojing, chief of a certain [as published] research institute under the Commission

of Science, Technology, and Industry for National Defense

- Youngest son Yang Shaoming, vice chairman of the China Photographers Association
- Peng Zhen: Eldest son Fu Rui, general manager of the Nuclear Industrial Corporation
- Second son Fu Ping, lawyer
- Third son Fu Yang, lawyer
- Youngest son Fu Liang, director of the Hebei Planning Commission
- Daughter Fu Yan, a company boss

Wang Zhen:

- Eldest son Wang Bing, chairman of the board of (dead) directors of the Shenzhen Helicopter Specialized Company
- Second son Wang Jun, general manager of the China International Trust and Investment Corporation
- Youngest son Wang Zhi, general manager of the Changcheng Computer Group Company

Bo Yibo:

- Eldest son Bo Xiyong, position unknown
- Second son Bo Xilai, Dalian mayor
- Third son Bo Xicheng, boss of a hotel administration company
- Youngest son Bo Xining, a cadre of a garment factory
- Eldest daughter Bo Xiying, a section head under the foreign ministry
- Second daughter Bo Jieying, a worker in the United States
- Youngest daughter Bo Xiaoying, a history teacher at Beijing University

Li Xiannian: (dead)

- Son Li Ping, position unknown
- Eldest daughter Li Ziyang, a medical official of a military hospital
- Youngest daughter Li Xiaolin, chief of the U.S. Section under the Chinese People's Association for Friendship With Foreign Countries

Ye Jianying: (dead)

- Eldest son Yu Xuanping, CPPCC vice chairman
- Second son Ye Xuanning, director of the Liaison Department under the General Political Department
- Youngest son Ye Xuanlian, a person in charge of the Poly Science and Technology Company under the PLA General Staff Headquarters

- Eldest daughter Ye Chumei, position unknown
- Second daughter Ye Xiangzhen, film worker
- Youngest daughter Ye Wenshan, a department-or bureau-level cadre
- Son-in-law (husband of his eldest daughter) Zou Jiahua, member of the CPC Political Bureau and vice premier

Nie Rongzhen: (dead, one of 10 marshals)

- Only girl Nie Li, lieutenant general, vice minister of the Commission of Science, Technology, and Industry for National Defense
- Son-in-law (husband of Nie Li) Ding Hegao, general, minister of the State Science and Technology Commission

Ulanhu (dead):

- Eldest son Buhe, NPC vice chairman
- Second son Ukeli, vice general manager of the Changcheng Industrial Corporation
- Other children, positions unknown

Liao Chengzhi (dead, former NPC vice chairman):

- Eldest son Liao Hui, director of the Office of Overseas Chinese Affairs (CPC Central Committee member)
- Other children do not join political and commercial circles

Xi Zhongxun (NPC vice chairman):

- Eldest son Xi Jinping, secretary of Fuzhou (Fujian) CPC Committee
- No reports about his other children available

Li Weihai:

- Eldest son Li Tiejing, state councillor and member of the CPC Political Bureau
- Second son Li Tielin, director of the CPC Organization Department Party Consolidation Office
- Youngest son (name unknown), in the Army

By Yang Yang [3152 3152]: "Malpractice of Exempting Princelings From Punishment Is Gradually Done Away With"

Following the case of Zhou Beifang, which created a furore early this year, the kidnapping of Chen Xianxuan, grandson-in-law of former PRC Vice President Ulanhu, by Wang Bing, son of CPC elder Wang Zhen, has aroused public concern over the activities of princelings. Some people have described princelings, who abuse power for personal gain, as arch usurpers of state power,

so a number of princelings have been prosecuted for their crimes over the last decade and more.

On 17 February this year, the Shoudu Iron and Steel Holdings (Hong Kong) Company confirmed that its former board-of-directors chairman Zhou Beifang had been arrested and relieved of his posts in the Shoudu Iron and Steel Company and other Hong Kong-based companies for his involvement in major economic crimes. Zhou Guanwu, Zhou's father, former secretary of the party committee and chairman of the board of the Shoudu Iron and Steel Company, a cadre at the vice-ministerial level under the Metallurgical Industry Ministry, is close to Deng Xiaoping. Later foreign news agencies reported that Deng Zhifang, Deng Xiaoping's youngest son, director of two Hong Kong listed companies under the Shoudu Iron and Steel Company, also was involved in Zhou's case, but these reports were denied by the government. Zhou Beifang's case reveals that princelings' economic criminal activities have extended to all economic fields.

Ye Zhifeng, eldest daughter of Ye Fei, former vice chairman of the sixth and seventh NPCs, got a job in the Communications Ministry on the strength of her father's position. In September 1984, she transferred from the Communications Ministry to the State Economic and Trade Commission, where she acted as a section head under the Import-Export Bureau and was responsible for approval of the plan for importing cars. She abused her power by giving import grants to foreign and Hong Kong businessmen in collusion with Zhang Changsheng, son of another senior cadre, and received a lot of cash and luxuries as bribes from the businessmen. She was arrested on 28 November 1985 and sentenced to 17 years in jail. After serving her sentence at Beijing's No 1 Prison for one year or more, she was released on bail for medical treatment. Her accomplice, Zhang Changsheng, however, was sentenced to death.

To straighten out firms run by officials, Deng Xiaoping made an example of the Kanghua Company involving his eldest son Deng Pufang. According to a relevant report, the company, under the cover of raising funds for Deng Pufang's China Welfare Fund for the Handicapped, sought profits by utilizing its tax-exemption privilege. In addition, it was involved in profiteering activities, and it set up more than 200 branches in various places. However, Deng Pufang remained innocent. Zhu Quanhua, grandson of Zhu De, the most senior of the 10 marshals, served in the CPC Navy headquarters at first, and later transferred to the Tianjin Water Police Zone at Zhu De's request. He was executed for organizing hoodlums to rape women in Tianjin.

Hu Lijiao, former secretary of the Shanghai Municipal CPC Committee, had a son called Hu Xiaoyang. In February 1986, Hu Xiaoyang was executed for raping women and organizing a gang of hooligans, becoming the second offspring of senior cadres at the level of the CPC Central Committee member and above to be executed following Zhu De's grandson. Also executed together with Hu Xiaoyang were Chen Xiaomeng and Chen Binglang (sons of Chen Qiwu, deputy head of the Shanghai Municipal CPC Committee Propaganda Department), Chen Danguang (his father was once general manager of the China Ocean Shipping Company), and Ge Zhiwen (his father was a section chief of the Machine-Building Industry Ministry). In the view of analysts, many princelings, after enduring untold sufferings during the Cultural Revolution, believe that they should take advantage of their powers and special status, once their fathers had been reinstated, to indulge in creature comforts in a big way so as to compensate for their psychological losses.

Jiang Writes Inscription for Changsha Railway Firm

HK0908082795 Changsha Hunan People's Radio Network in Mandarin 2300 GMT 20 Jul 95

[By correspondents (Ren Jianxin) and (Liu Hui)]

[FBIS Translated Excerpt] Entrusted by Communist Youth League Central Committee and the Ministry of Railways, the Guangzhou Railway Cooperation and the Changsha Railway General Company held ceremonies on 20 July to present a board bearing Jiang Zemin's inscription — Young civilized operational group — to the signal section of the Changsha Railway General Company, Zhuzhou Railway Sector, for the group's outstanding performance in bringing about economic effects to the tune of 45 million yuan each quarter. [passage omitted]

Hu Jintao Addresses Cadres Training Class

OW0808124495 Beijing XINHUA Domestic Service in Chinese 0454 GMT 29 Jul 95

[FBIS Translated Excerpt] Beijing, 29 Jul (XINHUA) — The second rotational training class for leading cadres of organization departments, held by the CPC Central Committee Organization Department, closed in Beijing today. The class, which opened on 5 July, provided systematic training for students using the teaching method combining instructive teaching, self-studying, and collective discussions. Before the class closed, Hu Jintao, member of the CPC Central Committee Political Bureau Standing Committee and member of the CPC Central Committee Secretariat, visited and addressed the students.

Hu Jintao pointed out: China's reform, opening up, and socialist modernization are currently in a crucial period — we are facing a rare development opportunity, and, at the same time, facing trying challenges. The new situation and tasks pose new and more stringent demands on party building and on organization departments' work and building. Cadres of organization departments should be fully aware of their heavy responsibility, and, at the same time, should proceed from the current situation, set sights on the future, bolster their confidence, advance against difficulties, and courageously shoulder the heavy historical responsibility bestowed on them by the party and people.

Hu Jintao stressed: The educational level of cadres of organization departments not only has something to do with the results of their work, but, more importantly, affects the party's image and prestige among the people. Organization departments mainly deal with people; therefore, cadres of organization departments should themselves first be upright and honest. Organization departments also work for party building; therefore, cadres should first be true communists. Following the guidelines set by the Fourth Plenary Session of the 14th CPC Central Committee, cadres, especially leading cadres, of organization departments should constantly toughen themselves, enhance their political consciousness, and improve themselves.

During the class session, officials in charge of some departments of the CPC Central Committee and of some ministries and commissions of the State Council gave students systematic lectures on studying Comrade Deng Xiaoping's theory on building up the ruling party, and on China's economic situation, foreign trade, and diplomatic work. Zhang Quanjing, director of the CPC Central Committee Organization Department, and Minister of Personnel Song Defu separately held discussion meetings with and gave instructions to students of the class on the operations and building of organization and personnel departments. Zhang Quanjing also spoke at the class' opening and closing ceremonies. [passage omitted]

PRC, Taiwan Financial Experts Discuss Interests

*MS0808122895 London FINANCIAL TIMES
in English 8 Aug 95 p 4*

[Article by Tony Walker and Laura Tyson: "Behind Beijing's Angry Taipei Rhetoric it is Business as Usual"]

[FBIS Transcribed Text] When Taiwanese and Chinese financial experts met in Beijing last week an observer could have been forgiven for concluding that all was calm between Beijing and Taipei.

As a Taiwanese participant in the discussions said of his Chinese hosts: "They were not antagonistic. The atmosphere was very normal."

In other cross-straits exchanges over the past week, Chinese and Taiwanese scholars met in apparently amicable fashion in the southern Chinese city of Nanchang to review historical issues relating to Taiwan.

At the same time, Taiwan and Hong Kong reached a civil aviation accord which would not have been possible without Beijing's tacit approval, since the agreement lays down rules that will apply after China's takeover of the colony in 1997.

While these exchanges and agreements stand in marked contrast to the sound and fury of Beijing's propaganda barrage over Taiwanese President Li Teng-hui's private visit to the US in June, they form part of a widening circle of contacts across the Taiwan Strait that both sides appear anxious to maintain.

Among imperatives for both is their growing economic interdependence. Some 25,000 projects with Taiwanese involvement have been launched in the mainland in the past few years involving investment of between US\$15bn and US\$20bn.

Trade also continues to grow rapidly. Taiwan's indirect trade with China (mostly through Hong Kong) jumped 39.7 per cent to US\$8.7bn in the first five months of 1995 compared with the same period last year, according to Taiwan Board of Trade figures.

Taiwanese exports were up 32.8 per cent to US\$7.41bn, while imports surged 99 per cent to US\$1.29bn. China, it seems, is beginning to make serious inroads into the Taiwanese market.

As a western official in Beijing, who specialists in cross-straits issues, said of Beijing's "carrot and stick" approach towards Taiwan: "The Chinese are being reasonably careful to quarantine their economic interests from political difficulties. This is a healthy sign."

But she also warned that the suspension of a political dialogue in June in protest at Mr Li's visit to the US was a worrying development since discussions between "non-official" bodies — Beijing's Association for Relations Across the Taiwan Strait (ARATS) and Taipei's Straits Exchange Foundation (SEF) — had become an important mechanism for sending messages back and forth and for clarifying misunderstandings.

Beijing was due to host last month the second round of talks between Mr Koo Chen-fu, chairman of the SEF and his Chinese counterpart, Mr Wang Da-han, but these important discussions have been postponed.

indefinitely. The first Wang-Koo talks, which prompted negotiations on such issues as aircraft hijackers, illegal immigrants, and fisheries disputes, were held in Singapore in April 1993.

While discussions on these nuts-and-bolts matters had made painfully slow progress since then, agreement may have been reached in time for the proposed Wang-Ku session in Beijing, clearing the way for negotiations on broader questions such as an investment protection protocol, long requested by Taiwan. The Wang-Ku agenda also included discussion about intellectual property protection and Taiwan's presence in Hong Kong after 1997.

But for the moment discussion on these issues will have to wait, and resumption of the ARATS-SEF dialogue may be delayed until after presidential elections in Taiwan next March during which ties with the mainland are certain to be an important campaign issue.

In the meantime, barring further deterioration in political relations, cross-straits contacts across a fairly wide spectrum are likely to continue, with particular emphasis on the economic partnership. Indeed, Taiwan signalled its desire at the weekend to further broaden economic ties when its economic ministry announced that it planned to lift a ban on Taiwanese state enterprises investing in China.

The measure requires approval by the Mainland Affairs Council, the ministry charged with shaping China policy, and would involve permission being given on a case-by-case basis, but such a step would be beneficial to both sides. As part of the relaxation, executives of state-run companies would be allowed to visit China. Currently, only vice president-level officials can visit the mainland.

In announcing the new policy, the economics ministry said that in spite of Beijing's recent "unfriendly actions" it hoped China would "recognise the practical needs of current economic development, jointly creating a win-win target for both sides."

The economics ministry is also continuing to expand the list of products which can be imported from China, and the number of items which Taiwan companies are permitted to manufacture in China.

Low-key talks are also taking place on the resumption of direct shipping links — long a demand of frustrated businessmen in Taiwan who have complained about the cost of transshipping through Hong Kong.

China balked in May when Taiwan attempted unilaterally to re-open sea-links. It refused to issue documentation to shippers, but talks are continuing with the

mainland, and Taiwanese officials expect direct shipping to begin formally later this year.

This would mark a significant step forward and together with progress in other areas of the economic relationship would help balance political difficulties. Beijing's displeasure over Taiwan's recent assertiveness internationally has, however, not been spent.

Interim Procedures For Auditing Budgets Listed

OW0908001895 Beijing XINHUA Domestic Service in Chinese 1319 GMT 21 Jul 95

[FBIS Translated Text] Beijing, 21 Jul (XINHUA) — **Interim Procedures For Auditing the Execution of Central Budgets**

Article 1. These procedures are drawn up in accordance with the "PRC Auditing Law" (hereafter called 'Auditing Law' for short) for auditing the execution of central budgets and other financial receipts and expenses.

Article 2. Led by the premier, the Auditing Administration shall audit the execution of central budgets, uphold the legal solemnity of central budgets, make sure central departments (including units directly affiliated to them, same below) will strictly abide by the budget law, and give play to central budgets' role in exercising the state's macroeconomic control so as to ensure a healthy economic and social development.

Article 3. The auditing of the execution of central budgets should be in the interest of the State Council's management of central receipts and expenses, and of the National People's Congress [NPC] Standing Committee's supervision over the execution of central budgets and other financial receipts and expenses; it should help the State Council's financial and taxation departments and other central departments exercise their lawful authority over budget control; and it should help institutionalize the auditing of the execution of central budgets and other financial receipts and expenses.

Article 4. In accordance with the law, the Auditing Administration shall audit the execution of central budgets, the execution of provincial budgets, and their final accounts, as well as the authenticity, legality, and efficiency of central departments' other financial receipts and expenses.

Article 5. Major areas of performance in the execution of central budgets subject to auditing are:

(1) The Ministry of Finance's official, written reply to central departments on their budgets approved by the NPC, on readjustments made during the execution of central budgets, and on changes in budgetary receipts and expenses;

(2) Central budgetary receipts — such as central taxes, central enterprises' profits, special revenues, and subsidies which deficit-authorized enterprises return to the treasury — which the Ministry of Finance, the State Administration of Taxation, the General Administration of Customs, and other collection departments should collect promptly and fully in accordance with relevant laws, administrative regulations, and regulations of financial and taxation departments under the State Council;

(3) Budgets which the Ministry of Finance has allotted to corresponding central departments in accordance with the approved budgets and spending plans, budget classifications, the process of budget execution, and spending units' actual spending progress of a fiscal year;

(4) The settlement of subsidies which the Ministry of Finance has allotted to local authorities in accordance with relevant laws, administrative regulations, and financial administrative rules;

(5) The payment of domestic and foreign debts, both principal and interest, which the Ministry of Finance manages in accordance with relevant laws, administrative regulations, and relevant rules of the ministry;

(6) Central departments' budget execution, financial systems, expenditures, and the development of relevant economic construction projects in a fiscal year; and the performance of departments and units obligated to transfer their revenues to the state;

(7) The central treasury's collection of central budgetary income and allotment of budgetary expenses in accordance with relevant state regulations; and

(8) Central receipts and expenses placed under special management by relevant regulations — receipts and expenses which the premier authorizes to audit.

Article 6. Major areas of other central receipts and expenses to be audited are:

(1) The Ministry of Finance's performance in controlling and using nonbudgetary funds and loans in accordance with relevant laws, administrative regulations, and relevant ministry regulations; and

(2) The performance of various other central departments in controlling and using nonbudgetary funds in accordance with relevant laws, administrative regulations, and relevant ministry regulations.

Article 7. To audit the execution of central budgets effectively, issues having a close bearing on the state's overall financial performance shall be audited or checked — such as provincial governments' budget execution, their final accounts, and their performance in enforcing the budget and taxation laws and adminis-

trative regulations, in distributing central government's subsidies for local governments, and in controlling and using provincial departments' nonbudgetary funds.

Article 8. In accordance with the "Auditing Law's" regulations governing auditing reports, the Auditing Administration shall, during the first quarter of each year, conduct on-the-spot auditing of the performance of organs under the State Taxation Administration and the General Administration of Customs, as well as other relevant central departments, in executing the central budgets and other receipts and expenses of the preceding fiscal year; and, during the second quarter of the year, it shall audit the execution of central budgets of the preceding fiscal year. The Auditing Administration shall organize special auditing of ad hoc budget execution projects in a timely manner.

During the second quarters each year, the Auditing Administration shall submit to the premier a report about the results of auditing the execution of central budgets and other financial receipts and expenses of the preceding fiscal year.

Each year, at the State Council's request and following the NPC Standing Committee's arrangements, the Auditing Administration shall submit an auditing report to the NPC Standing Committee on the results of auditing the execution of central budgets as well as other receipts and expenses of the preceding fiscal year.

Article 9. Financial and taxation departments under the State Council, and other central departments, shall furnish the Auditing Administration with the following information:

(1) Central budgets approved by the NPC; the Ministry of Finance's official, written reply to central departments on their budgets; the revenue plans of a fiscal year of taxation departments and customs offices; and central departments' official, written reply to affiliated units about their budgets;

(2) Monthly reports, final accounts, and annual reports on the execution of central departments' budgetary receipts and expenses and the performance of taxation departments and customs offices in accomplishing their revenue plans, as well as final accounts on the receipts and expenses of nonbudgetary funds and the receipt and use of loans;

(3) Consolidated annual reports and bulletins on financial and taxation statistics; and regulations and rules governing finances, budgets, taxation, and fiscal affairs, and accountancy; and

(4) Draft final accounts compiled by various central departments.

Article 10. Within its legal authority and on the basis of relevant laws and administrative regulations, the Auditing Administration shall, state its views or decisions with regard to the conduct of the State Council's financial and taxation departments, or other central departments, which have violated budget discipline or other state regulations while organizing the execution of central budgets or organizing other financial receipts and expenses. It shall advise the State Council on the handling of major issues.

Article 11. When financial regulations, rules and procedures issued by the State Council's financial and taxation departments, or by other central departments, contravene relevant laws and administrative regulations; or when these regulations, rules, and procedures are improper and need to be improved, the Auditing Administration may submit improvement suggestions to the State Council for examination and decision.

Article 12. Those who refuse or obstruct auditing in violation of the "Auditing Law," the Auditing Administration may order them to make corrections, circulate a notice to criticize them, or serve them a warning; and it may investigate their responsibilities according to the law if they refuse to mend their ways.

Article 13. The Chinese People's Liberation Army [PLA] Auditing Administration, while submitting to the Central Military Commission its auditing report about the PLA's execution of budgets and other financial receipts and expenses, shall also submit a copy of the report to the Auditing Administration.

Article 14. Auditing organs of provinces, autonomous regions, and municipalities under the central government's direct jurisdiction may, on the basis of these procedures, as well as the actual local situations, draw up their own procedures for auditing the execution of the local budgets; and they shall report their procedures to the people's governments of corresponding levels for approval and to the Auditing Administration for the record.

Article 15. These procedures become effective upon promulgation.

New Border Crossing Inspection Rules Effective

OW0808133795 Beijing XINHUA in English
1302 GMT 8 Aug 95

[FBIS Transcribed Text] Beijing, August 8 (XINHUA) — China's new Frontier Inspection Regulations on Border Crossing, to become effective September 1, will promote better frontier order and increase China's contacts with other countries and regions, a public security officer said today.

The new regulations provide specific stipulations on the examination of documents, luggages, transportation means and goods, penalties against irregularities, and status of the frontier inspection stations, Li Jizhou, vice minister of the Ministry of Public Security, said here today.

"Such regulations are necessary for China's growing contacts with the outside world," Li said.

China has opened 220 ports so far, up from 70 in 1978, and the annual entries and exits across the border have reached 101 million person/times, another major increase from 5.65 million in 1978, and the times and number of vehicles crossing the borders have also increased from 320,000 to 9.24 million in the same period, the statistics show.

Out of the 101 million Chinese and overseas people crossing the borders in 1994, the frontier guards discovered more than 2,600 illegal crossers. They also seized 30,000 grams of narcotics, and smuggled goods worth five million yuan last year, said Li.

The new regulation, adopted by the State Council on July 20, together with two laws on foreign citizens and Chinese citizens' border crossings, and two provisional regulations on Chinese citizens' private visits to and from Hong Kong, Macao and Taiwan, constitute a comprehensive legal framework for the management of border crossings, he said.

Official: Growing Income Gap Should Be Stopped

OW0908062395 Beijing ZHONGGUO XINWEN SHE
in English 1333 GMT 8 Aug 95

[FBIS Translated Text] Beijing, August 8 (CNS) — According to an official from the State Council, there cannot be no restrictions in salary, and the salary gap between different sectors should not be further enlarged.

At the Third Plenary Session of the Fourteenth Central Committee, it was remarked that the distribution of income is based on the basic principles of efficiency and fairness.

Income distribution was faced with these problems. First, the distribution of income in different sectors is unfair. Salaries paid in the banking, posts and telecommunications and hotel industries are too high. The salary gap between the different sectors is too great. Secondly, the business of real estate development companies and securities companies is too speculative. Thirdly, the proportion of income besides salary is too large. Such income approximates to that earned from a worker's principal employment.

The State Council official holds that in general, it is right for enterprises to set salaries according to economic results, but problems remain. The main point is how the economic results are achieved. Some are brought about by State policies and investment. Different enterprises achieve different results in different ways. If a single measure is adopted across the board, this will be unfair. If this problem cannot be solved, society will not be stable.

Besides, there are problems in the allocation of talented people. In some places, doctorate graduates work as waiters. It will not do that those with knowledge and diligence are unable to earn what they deserve.

Criteria For Poverty Line To Be Established

OW0908062495 Beijing ZHONGGUO XINWEN SHE
in English 1343 GMT 9 Aug 95

[FBIS Translated Text] Beijing, August 8 (CNS) — According to a government department, China would stipulate a poverty line for residents of cities and townships. This has been brought about because social relief in the past was limited to those with special difficulties in that they were either without legal providers, a source of income or were otherwise disabled. Those with an insufficient income to maintain a basic standard of living were ignored.

Traditional criteria for relief were outdated since cities and townships had diversified level of income and those in need of relief were in dire straits. On countless occasions, efforts have been made to raise the relief criteria but each attempt proved fruitless due to China's limited financial resources as well as the failure to launch an effective system. As a result, some Chinese still had a standard of living far below the average for the area in which they lived.

The new poverty relief criteria would mainly be for safeguarding the basic standard living of low-income group. General principles would be drafted by the relevant department while precise criteria would be decided by each province and city on the basis of their actual situation.

Justice Minister Discusses Mediation Work

HK0708091595 Beijing LIAOWANG in Chinese
12 Jun 95 No 24, pp 10-11

[Interview with Justice Minister Xiao Yang by unidentified staff reporter; date, place not given: "Situation and Tasks Facing People's Mediation in New Period — In-

terviewing Justice Minister Xiao Yang"; first two paragraphs are reporter's introduction]

[FBIS Translated Text] Recently it has been noticed that in relevant meetings and documents, the central authorities more frequently use the phrase "establishing and perfecting organizations for mediating contradictions among the people." In addition, five out of the six tasks set by the central government concerning the comprehensive improvement of public security are related to people's mediation work.

What makes the government stress the importance of people's mediation at the present stage? In what way can we successfully cope with the new circumstances and problems that have emerged under the present new situation, and what measures should we take to resolve new contradictions and disputes that crop up in the course of reform? With all these questions in mind, this reporter had an exclusive interview with Justice Minister Xiao Yang.

[Reporter] Why should we stress the importance of people's mediation at the present stage?

[Xiao] At present, China's reform in all domains has entered a crucial phase. Social stability is a vital precondition for ensuring the smooth progress of reform and development, with its focus placed on rural areas and grass-roots units. Only when rural areas and grass-roots units enjoy stability can the overall situation become stable. Playing an irreplaceable role in "ensuring the safety of all living under one's jurisdiction" and in maintaining the stability of both rural areas and grass-roots units, people's mediation has proved to be a good way for the vast numbers of the masses to exercise self-education, self-management, and self-discipline. It is a first line of defense for the overall improvement of public security, and a powerful assistant to the party and government in resolving contradictions among the people.

Judged by its nature, people's mediation is indeed a task of great significance. Today, more than 1 million people are working in the huge contingent of people's mediation organizations at all levels. They can be found in every corner of the country and enjoy links with thousands upon thousands of households. In particular, alongside the deepening of reform and the further development of our economy, there has been a greater variety of civil disputes, each having its own distinguishing features. This situation has posed an objective requirement for us to place the people's mediation work in an important position. Statistics have shown that civil disputes handled by people's mediation organizations across the country total 60,000-70,000 per year, a figure three-to-four times the number of civil cases handled by people's

courts of the first instance. Through their painstaking efforts, the vast numbers of mediators have succeeded in resolving numerous contradictions and disputes among the masses of the people, and have prevented the occurrence of criminal cases in large numbers, thus ensuring the safety of all living under their jurisdiction.

[Reporter] In light of the current new situation marked by disputes concerning production and operations which have had a direct and adverse impact on social order in rural areas; by disputes that undermine the relations between the party and the masses, and between cadres and the masses; and by disputes over the work of departments in charge of the integration of urban and rural areas, and the integration between workers and peasants; what should we do to make a success of people's mediation so as to prevent such disputes from sharpening further?

[Xiao] China is now amid the transition from a planned to a market economy. Therefore, any readjustments and changes to the previous interest setup inevitably will trigger large numbers of new civil disputes, and also will give rise to contingent disputes that are apt to intensify and recur. The complex nature, great diversity, and extensive scope of today's civil disputes have added to the difficulty of prevention and mediation, and also to the weight of the tasks facing people's mediation work. For example, since the introduction of the contract responsibility system with remuneration linked to output, and since the readjustment of the farming structure in rural areas, there is a growing number of disputes over the distribution of farmland; water resources; farm machinery; and hills, forests, and shoals. The greater number of compensation disputes and debtor-creditor disputes today have directly affected social order in rural areas. Contradictions between cadres and the masses are on the rise in certain localities as a result of the malpractices of a small number of grass-roots cadres who have abused their authority for personal gain, failed to handle affairs impartially, estranged themselves from the masses, and become morally degenerate. Disputes concerning the work of departments in charge of the integration of urban and rural areas, and the integration between workers and peasants are emerging in large numbers, and these can intensify easily. To counter all these new situations and features, people's mediation organizations must carry out their work with clear objectives, and must adopt stronger measures to prevent such disputes from worsening.

First, efforts should be made to establish and improve the work of people's mediation organizations, for this is the cornerstone for ensuring the success of people's mediation work. All localities are required to act in

line with the requirements set out in the "Organizational Rules Governing People's Mediation Committees"; establish and improve the work of people's mediation committees at the village (neighborhood) level; and set up mediation groups, or appoint mediators and dispute-informers in accordance with the actual living conditions of the villagers (residents) concerned. In addition, we should set up joint mediation organizations in departments in charge of the integration of urban and rural areas, and the integration between workers and peasants, so that the departments concerned can join forces in preventing and mediating relevant civil disputes. Today, a joint mediation system has been installed in many parts of the country, while joint mediation organizations practicing this system have been established in the border areas between villages, townships, counties, and even provinces. The "city moat project" currently being undertaken by Hebei Province with the aim of maintaining the stability of our capital, is based on the concept of establishing a joint mediation system with areas adjacent to Beijing, and to maintain the stability of the capital by building up a line of defense around the city.

Second, a system for reporting the conditions and feelings of the public must be established. One of the tasks stipulated in the "Organizational Rules Governing People's Mediation Committees" is to keep villagers' and residents' committees informed of the latest civil disputes, as well as the latest progress in mediation work. On this basis, a system for reporting the conditions and feelings of the public should be introduced under which people's mediation committees at different levels are expected to report all the information they have had in hand to the judicial administrative organs of the next higher level, as well as to departments in charge. In this way, the party and government will have greater access to the feelings of the public and the conditions of society, and therefore can be more scientific in making policy decisions. In addition, through the system of reporting the conditions and feelings of the public, we can provide better guidance for people's mediation work. This practice also can help reduce, and provide timely solutions to contradictions between the party and the masses, and between cadres and the masses. To successfully establish the system of reporting the conditions and feelings of the public, it proves to be an even more urgent task to "channel the intentions of the authorities to the public, while keeping the former well informed of the thoughts of the latter."

Third, we should continue to uphold the system of investigating civil disputes and focusing on major ones. Taking shape in the practice of the people's mediation work, this system has been proved effective and workable in preventing and mediating civil disputes. Under

this system, and in line with the unified guidance of local party and government departments as well as judicial administrative organs, people's mediation organizations will conduct thoroughgoing investigations into existing civil disputes, as well as symptoms of possible disputes; make careful analysis of these disputes; and concentrate their attention on solving the major ones, which are marked by their frequent occurrence and tendency to intensify. In the course of solving major disputes, we should adopt a whole set of coordinating measures, including mediations of disputes, propagation and education of the legal system, and adoption of necessary measures, so as to prevent the occurrence of new civil disputes, insofar as possible, and to reduce the number of incidents stemming from worsened disputes.

Fourth, we should strive to build up a contingent of people's mediators who are suited to the needs of the new situation. The new situations and new features of civil disputes require people's mediators to enhance their own political and professional qualities on a constant basis. In view of this, the departments in charge of people's mediation work at all levels should reinforce the training of mediation personnel with the aim of improving their ability to mediate disputes according to the law. We should seize the current favorable opportunity of strengthening rural grass-roots organizations to rectify the structure of grass-roots mediation organizations, and to replenish these mediation organizations with comrades in their prime who have a good command of the country's legal system and government policies, and who enjoy high reputation among the masses. We should energetically spread the experience of appointing in-service leading cadres as special mediators. At present, a number of provincial-level leading cadres have been appointed as special mediators. The significance of appointing a leading cadre as special mediator does not lie simply in his involvement in the mediation of one or two disputes, but in his participation in the mediation work, through which he can acquire an intimate knowledge of the feelings of the public and the conditions of society, thus really turning mediation work into a bridge linking the party and government with the masses.

What we need to stress here is that civil disputes are an overall reflection of the contradictions in our society, and should be rectified in a comprehensive way. Therefore, the mediation work requires the full support of society as a whole.

[Reporter] In view of the growing number of contradictions and disputes emerging in poorly run enterprises, what new countermeasures should we take in mediation work?

[Xiao] This is indeed an issue that should not be overlooked. Our failure to find timely solutions to the existing contradictions and disputes not only will hinder the deepening of enterprise reform, but also will affect the stability of society as a whole. The people's mediation work in enterprises should be strengthened vigorously. To achieve this goal, we first should reinforce the ranks of people's mediators in enterprises, for this is pivotal to ensuring the success of people's mediation work in enterprises. Departments in charge of people's mediation work should strengthen guidance over enterprises that belittle the role of people's mediation organizations, increase the weight of propaganda, and help enterprise leaders enhance their understanding of the importance of people's mediation work. Second, people's mediation organizations in enterprises should take the initiative to provide services for the production and operation of enterprises; probe and analyze disputes and contradictions that emerge in the course of the reform, production, and operation of enterprises; promptly report the latest developments to the party and administrative leaders of enterprises; and try their best to solve disputes and soothe public feeling. Third, we should make conscientious efforts to conduct the propaganda and education concerning the legal system among workers and staff of enterprises. To reduce the number of contradictions and disputes of all kinds which are caused by the readjustment in interest relations among workers and staff members in the course of enterprise reform, the people's mediation organizations in enterprises should start their work with prevention of disputes; conduct propaganda and education among workers and staff members with regard to the legal system, as well as the relevant enterprise reform policies; and help the workers and staff members understand and support reform. Fourth, in mediating disputes, the people's mediation organizations in enterprises should focus their attention on major issues, and should give priority to solving disputes that emerge in the course of enterprise reform and which will directly destabilize enterprises.

[Reporter] What measures will the government take to tackle disputes that have occurred frequently in districts where the migrant population lives in compact communities?

[Xiao] The issue of the migrant population is a major concern to society as a whole. According to relevant statistics, China has a migrant population of some 8 million, with 3.8 and 3.3 million, respectively, staying in Beijing and Shanghai. On the one hand, the existence of large numbers of the mobile population has provided labor resources for local economic construction; on the other hand, districts where the migrant population lives in compact communities also have proved

to be places where civil disputes occur most frequently. The failure to exercise effective control over such districts will impair the order of society as a whole. Therefore, people's mediators should work out new methods suitable for mediating disputes among non-natives, set up temporary or mobile mediation organizations in districts where the migrant population lives in compact communities, and try hard to find timely solutions for disputes among them. Joint people's mediation organizations should be set up between districts where the migrant population lives in compact communities and adjacent villages, neighborhoods, and factories, so that the two can join forces in taking precautions and making investigations. Judicial administrative organs at all levels should provide timely guidance for the people's mediation organizations in districts where the migrant population lives in compact communities, conscientiously conduct propaganda and education concerning the legal system and social ethics, enhance the migrant population's legal knowledge and moral standards, and take radical measures to prevent the occurrence of new disputes. The people's mediation organizations in districts where the migrant population lives in compact communities should frequently exchange information with the grass-roots organizations back in the migrant population's registered residences, and assist relevant departments in exercising joint control over them. All these tasks prove to be an important aspect of people's mediation work.

[Reporter] How do the people's mediation organizations serve reform, development, and stability in line with the ideological principle of "providing service on a massive scale"?

[Xiao] The ideological principle of "providing service on a massive scale" is a guiding ideology for the reform and development, not only of judicial administrative work, but of people's mediation work as well. By stressing the ideology of "providing service on a massive scale," we mean that people's mediation organizations should broaden their vision; give better play to their roles in the social practice of a broader sense; and attain the goal of having people's mediation organizations set up where there are masses of people, people's mediators appearing where there are civil disputes, and people's mediation work playing its due part where it is needed.

To make these targets a reality, we must make vigorous efforts to explore new methods for mediation work. We should integrate people's mediation work with democratic and political building at the grass-roots level, actively carry out propaganda and education on the legal system, engage ourselves in the activities of rectifying major problems according to the law, and enhance the

masses' awareness of democracy and the legal system by mediating disputes according to the law. We should combine people's mediation work with neighborhood services, and should create more favorable conditions for people's mediation work through the development of neighborhood services. We should integrate people's mediation work with the establishment of a modern enterprise system, and should guide the vast numbers of workers and staff members to understand, support, and participate in reform by resolving the disputes and contradictions that crop up during the course of enterprise reform. We should integrate people's mediation work with efforts to promote the prosperity and stability of trade fairs, and should provide service for the further development of the market. In coordination with relevant departments, we should do a good job in assisting, educating, and making transitional arrangements for people who are released after serving terms of imprisonment or who are relieved of education-through-labor sentences. By doing so, people's mediation work can play its role as the first line of defense in the social practice of a broader sense, and can provide better service for reform, development, and stability.

Theoretical Workers Discuss Study of Deng's Theory

OW0808144895 Beijing XINHUA Domestic Service in Chinese 1403 GMT 2 Aug 95

[FBIS Translated Text] Beijing, 2 Aug (XINHUA) — This morning, the CPC Central Committee Propaganda Department held a forum for theoretical workers in Beijing to study the "Guideline For Studying Comrade Deng Xiaoping's Theory of Building Socialism With Chinese Characteristics". More than 10 theoretical workers from the China Academy of Social Sciences, Beijing University, People's University of China, Beijing Teachers University, Central Policy Research Office, General Political Department of the People's Liberation Army, and central news media units, spoke at the forum, discussed and studied the "Guideline," and talked about their gains in studying in depth Deng Xiaoping's original works.

Comrades attending the forum said the writing and publication of the "Guideline" is an important measure to strengthen the party's theoretical building; and has provided important supplementary materials for accomplishing the strategic tasks set by the 14th CPC National Congress, for arming the whole party with Deng Xiaoping's theory of building socialism with Chinese characteristics, and for educating cadres and the masses. The main feature of the "Guideline" is that it faithfully, quite completely, and accurately reflects the thought of the "Selected Works of Deng Xiaoping," insists on the uni-

fication of history and logic, and completely expounds Deng Xiaoping's theory of building socialism with Chinese characteristics. The "Guideline" is brief and to the point and is popular and easy to understand; it will help readers better understand and grasp the scientific rationale, basic viewpoints, and true spirit of the theory of building socialism with Chinese characteristics.

The forum was presided over by Liu Yunshan, deputy director of the CPC Central Committee Propaganda Department. Liu Yunshan said: Studying and publicizing Deng Xiaoping's theory of building socialism with Chinese characteristics is a lofty task by theoretical workers. Currently, study of the "Guideline" has been conducted extensively in all localities, and the trend has been very good. Theoretical workers should take the lead in studying the "Guideline", and, with the publication of the "Guideline" as a turning point, should organize all efforts to step up the study and publicizing of the theory, and cause the study to continue to develop in breadth and in depth. Following the guidelines of the central authorities' "circular" and by working in a down-to-earth manner, they should truthfully carry out the task of arming the whole party with Deng Xiaoping's theory of building socialism with Chinese characteristics.

Tighter Control Over Disaster Relief Funds Urged

OW0908015695 *Beijing XINHUA in English*
0137 GMT 9 Aug 95

[FBIS Transcribed Text] Beijing, August 9 (XINHUA) — China has urged tighter control over the use of disaster relief funds, and those who are corrupt and use such funds for other purposes will face severe punishment.

According to a notice made public today by the Ministry of Civil Affairs, the disaster relief funds should be used to help disaster victims only.

The relief funds specially target people who suffer most in disasters and should never be put aside for other purposes, the notice said.

The notice noted that the funds should not be used to start projects which are not related to disaster relief work, and part of the funds which have been put into these projects should be withdrawn within a certain period of time.

It also stated that civil affairs departments at all levels should report to the governments on the allocation of the relief funds and urged relevant departments to release the needed sum of money to disaster victims in time.

The notice said that each disaster-stricken county should set up a special account for the relief funds, and when

the funds arrive, they should be immediately sent to the people who need them.

The notice requires local departments to check on the use of the funds and punish those who misuse them.

The notice also required a report system to be set up on the use of relief funds.

Department Backs Books on Anti-Japanese War

OW0908064695 *Beijing XINHUA in English*
0630 GMT 9 Aug 95

[FBIS Transcribed Text] Beijing, August 9 (XINHUA) — Publishing houses in China have been releasing a long list of titles on the War of Resistance Against Japan (1937-45) to observe the 50th anniversary of victory over Japan.

The activity has been backed by the Propaganda Department of the Central Committee of the Communist Party of China (CPC) and the Press and Publication Administration of China.

Important topics include a history of the Anti-Japanese War, an account of atrocities committed by invading Japanese troops, and pictures for exhibition on the war.

Various provincial publishing houses have issued 100 different books with expected circulation of three million, depicting different aspects of the war.

A leading official from the Press and Publication Administration of China said that 1995 is a peak year for the publication of books on this subject.

Regulations Protecting Party Members' Rights Viewed

HK0908083895 *Beijing RENMIN RIBAO in Chinese*
28 Jul 95 p 1

[Commentator's article: "Powerful Legal Weapon for Protecting Party Members' Rights"]

[FBIS Translated Text] Recently, the CPC Central Committee released the "Regulations on Protecting the Rights of CPC Members (for Trial Implementation)." This is an important measure for implementing the decision of the Fourth Plenary Session of the 14th CPC Central Committee and strengthening party building. It is of great significance to promoting inner-party democracy, improving inner-party life, and increasing the party's unifying force and combat effectiveness.

The "Regulations on Protecting the Rights of CPC Members (for Trial Implementation)" have been formulated in light of the reality in party building and the need to ensure inner-party democracy with a complete system. Since the Third Plenary Session of the

11th CPC Central Committee, tremendous achievements have been made in party building. The party Central Committee has comprehensively stepped up the party's ideological, organizational, and workstyle building, increased unity within the whole party, and won the endorsement and support of the masses of the people. The reform and opening up has instilled new vitality to party building but, at the same time, confronted it with many complicated situations and issues. A host of survey results show that the task of educating and managing over 54 million party members within our party is more arduous than at any time in the past. In some localities and units there are various problems that should not be overlooked, such as the party's failure to manage party affairs and strictly administer the party, and lax discipline and organization. An issue calling for urgent solution is how to further promote inner-party democracy, strengthen the system building within the party, and guarantee that party members' rights will be correctly exercised and will not be infringed upon. It is necessary to unclog and broaden the channel of inner-party democracy to enable party members to have a better understanding of and greater participation in party affairs and be clear about the principles for correct exercise of party members' rights and the measures for ensuring those rights. It is precisely under such circumstances that the party Central Committee has, in line with the practical needs of party building, formulated in good time the "Regulations on Protecting the Rights of CPC Members (for Trial Implementation)."

The "Regulations on Protecting the Rights of CPC Members (for Trial Implementation)" are the first special inner-party statute for protecting the democratic rights of party members in the history of our party. It has comprehensively and systematically standardized the work and activities of party organizations and members in protecting party members' rights. Through the exercise of party members' rights and the protection of those rights by party organizations, the regulations have made provisions in various aspects, such as penalizing infringement of party members' rights and making clear the procedures and responsibilities, to ensure implementation of those rights. While working out details for the exercise of party members' rights, the regulations have, in line with the principle of unifying rights and duties, standardized party members' rights and, where necessary, appropriately stressed the duties of party members with the aim of ensuring that party members can correctly exercise their rights and that, in the course of exercising their rights, they will not infringe upon other people's rights. While ensuring that party members enjoy full inner-party democracy, the regulations have appropriately stressed the party's centralism to enable party members to understand that, in the course

of exercising their democratic rights, they must not violate democratic centralism and party discipline. With regard to conduct of infringing upon party members' rights, the regulations adopt two methods of handling. The first is party disciplinary actions and the other is nonparty disciplinary actions. The six forms of nonparty disciplinary actions laid down in the regulations are a set of new ways and means for dealing with inner-party contradictions and adjusting inner-party relations; they are a generalization and summation of the practice and experience in various localities.

The publication of the "Regulations on Protecting the Rights of CPC Members (for Trial Implementation)" have provided a power legal weapon for the protection of party members' rights. Effectively guaranteeing that party members' rights are correctly exercised and not infringed upon is an important duty of party organizations at all levels and leading party cadres. Party organizations at all levels should organize the vast numbers of party members to conscientiously study and thoroughly and resolutely implement them in conjunction with the practical conditions. Not only should they vigorously create conditions for party members to correctly exercise their rights, but they should also seriously investigate and deal with cases of infringing upon the democratic rights of party members. By studying and implementing the regulations they should make further efforts to strengthen party building, increase the party's unifying power and combat effectiveness, and strive to turn the party into a strong core in the socialist modernization drive.

***Causes, Effects of Corruption in Marketplace Viewed**

95CM0347A Shanghai SHEHUI [SOCIETY]
in Chinese May 95 No 124, pp 38-39

[Article: "Causal Relationship Between Market Economy and Corruption"]

[FBIS Translated Excerpt] [Passage omitted] Because of the simultaneous progress of the market economy oriented reform and opening up and the wide-spread upsurge of corruption, a great many people in our society attribute the phenomenon of corruption to the market economy orientation which accompanied reforms. Going further, the crucial reason people erroneously attribute the cause of corruption is their total misunderstanding of the market economy; they believe that the market economy is a totally free and unordered economy with the acquisition of money as its sole value orientation; they believe that the market economy places the acquisition of money above all else; it is hedonism and an economy which does not give consideration to increasing social benefits or cultural improvements.

In real life there are two types of erroneous inclinations which clearly illuminate this type of erroneous attribution of the causes of corruption. Some people believe that corruption is an everyday normal phenomenon of the market economy and once we have decided to implement reforms with a market economy orientation, we can only put up with the growth of corruption and there is no need to make a big deal out of it. Other people are continually exercised over it, believing that corruption is a necessary product of the market economy, that the reforms and the market orientation are the chief culprits and ringleaders of corruption's popularity, and in order to stem corrupt practices, we should strictly enforce administrative controls, or best of all, return to a planned economy. However, the market economy actually does not necessarily have any connection with corruption; the market economy is not the wellspring of corruption's propagation and expansion.

The 14th to the 18th century was the era of the "mercantilism" of the primitive market economy; the rampant corruption of that period was due to unhealthy growth of the market and the multi-form intervention of special administrative authorities. These are historical conclusions and there is no need to elaborate. However, taking the post-war developing nations as an example, in the process of implementing marketization, they did not all suffer corruption, but quite the opposite: the faster and more smoothly marketization was carried out, the less severe was the corruption encountered in that country. For instance, Singapore from the beginning of its industrial development paid strict attention to regulations establishing equal competition in the market and simultaneously established judicial and administrative measures to counter the evils of corruption. The administrative organs were basically able to make the government free of corruption. On the other hand, those countries in which market development was slow, in which more of the old bureaucratic special powers or even feudalistic privileges were retained, experienced more serious corruption, and we saw the so-called "sick man of India" and "the Latin America phenomenon" occurring. Whether it is an industrialized nation or a developing nation which promotes the process of modernization, all indisputably illustrate that corruption is not a necessary product of the market economy. The market economy is an economy with equal competition and legislated order; the market basic order and rule is equal competition; the monopolization and intervention of power is not only in contradiction of the basic market principles, but on the contrary is the brutal trampling on the principles of the equal competition market.

The research which some scholars have done since the 1970's shows that the rampant growth of corrupt prac-

tices in some countries was caused by the government using its administrative powers to interfere with and control the economic activities of enterprises and individuals. Because the governmental intervention or control obstructed the market's equal competition, it created opportunities for a minority of people who had special privileges to carry out unequal competition and to rely on these privileges to reap extraordinary incomes. According to the scholars' statistics, in China, from 1981 to 1988, because of the "two track" pricing system, total annual price differentials ran about 2-3 trillion yuan, about 20-25 percent of the gross national product. This provided the concrete conditions for a large number of officials to take advantage of the "two tracks" to make a profit on price differences (including commodity, credit and foreign exchange price differences), and from that to resell wholesale lots, quotas, and certifications so as to reap huge profits. This led to the appearance of a considerable amount of "official profiteering." Thus it can be seen that the root cause of corruption is the abuse of the old administrative powers, in the slowness of the reforms with market orientation and in the incompleteness and inadequacies of market regulations. If we want to eradicate the roots of common corruption, then we should vigorously promote the market, and firmly establish the new order of equal competition markets.

Naturally, other than the economic causes rooted in the fact that the market systems have not yet matured during the period that the old system is changing its forms, there are also political, cultural, historical, moral and many other types of reasons for the rampant spread of corruption. The democratic legal system is still weak and the lax moral code of some public officials are just two of the more basic causes. First, the lax moral code. Because some public officials have discarded their ideological armor, slackened their work on the reform of their world outlook, personal values and outlook on life, when their authority lacks strict controls and supervision, they very easily allow their public authority to become personal power, and change service of the masses into the quest for personal gain. The formation of a person's motivation to commit a crime is the result of the withering away of his innermost moral beliefs. If the heart of a public official has lofty moral beliefs, is ever mindful of the precept of serving the people, then corrupt impulses will be overcome by this inherent strength. The youthful Chinese political scientist Wang Huning has said: "As far as anti-corruption is concerned, if a moral code which reflects high moral principles is able to penetrate an official's heart and mind, and if structural restraints are added, then the phenomenon of corruption and corrupt practices will be more effectively restrained." (Wang Huning: ANTI CORRUPTION: THE CHINESE EXPERIENCE,

Sanhuan Publishers, 1990 edition, p 202.) Secondly, the democratic legal system is weak. Because authority lacks restraining and supervising mechanisms, some public officials have ample opportunity to abuse their power. This leads to the birth and spread of corrupt practices. Only if we strengthen the democratic legal system, fully develop the people's democracy, make the employment of power conform to a system of laws, introduce a competitive process into the political system, rationally select and dismiss public officials, enhance the transparency of the political system, effectively restrain and supervise the use of authority, can we prevent and overcome corruption. [passage omitted]

Military & Public Security

Zhang Zhen Hails Publication of Book on Wars

HK0908042895 Beijing JIEFANGJUN BAO
in Chinese 7 Jul 95 p 1

[Report by reporter Chen Xianyi (7115 0341 5030): "Central Military Commission Vice Chairman Zhang Zhen Attends Symposium Marking the Publication of 'Dictionary of Chinese Wars'"]

[FBIS Translated Text] Beijing, 6 June (JIEFANGJUN BAO) — "Dictionary of Chinese Wars," a voluminous lexicographical work listed as a key subject for the army's "Eighth Five-Year" military scientific research program, has been published by the Liberation Army Publishing House. Present at today's symposium marking the publication of the "Dictionary of Chinese Wars" were Zhang Zhen, vice chairman of the Central Military Commission; Yu Yongbo, member of the Central Military Commission and director of the General Political Department; Deputy Director Xu Caihou and Assistant Director Tang Tianbiao of the General Political Department; and other leading comrades.

Vice Chairman Zhang Zhen noted: The "Dictionary of Chinese Wars" is an excellent lexicographical work. We should make good use of this dictionary to guide the broad numbers of our officers and men to study Chinese history, especially the country's military, political, economic, and national histories. The research and study of military history will help us master and use for reference the fine traditions of military culture; the research and study of political history will help us learn the development law in society and heighten our confidence in building socialism with Chinese characteristics; the research and study of economic history will help us gain a correct understanding that today's reform and opening up is the only road leading to the prosperity and rejuvenation of our country and nation; and the research and study of national history will help us understand the fact that the Chinese nation is a big family which has gradu-

ally taken form alongside the historical development of the past several thousand years, so that we can do our bit to enhance the unity of various nationalities, have deep love for our motherland, and strive for the rejuvenation of the Chinese nation. We must oppose any words or acts designed to split the country and see to it that the plots of splittists will never succeed.

The "Dictionary of Chinese Wars," for which Vice Chairman Zhang Zhen wrote the foreword, is a voluminous professional lexicographical work on Chinese war history which presents historical events in chronological sequence and gives a systematic outline of all Chinese wars. Organized by the Chinese People's Revolution and Military Museum, the book took four years to compile, with the participation of more than 200 experts and scholars from both inside and outside the army. This dictionary can therefore be considered China's first lexicographical work in history which has been compiled in line with the principle of "recording all past wars." Including all recorded wars, campaigns, and battles fought on Chinese territory and related to the Chinese nation, the dictionary has nearly 5.6 million characters and as many as 12,800 entries, together with nearly 400 photos and 105 color maps. The publication of this dictionary serves to fill the gaps in research on Chinese war history.

Xu Caihou, deputy director of the General Political Department, also spoke at the meeting. Paying high tribute to the publication of this dictionary, many experts and scholars present at the meeting noted that it is a major task of military scientific research under the present new historical conditions to carry forward and develop the fine traditions of the military culture of the Chinese nation, and put this precious spiritual wealth to the service of China's modernization of its national defense. They also expressed hope that the publishing houses of the army can continue to make new contributions to enhancing the whole nation's awareness of the importance of national defense.

Leading comrades of both the compilation committee of the "Dictionary of Chinese Wars" and the Liberation Army Publishing House briefed the symposium on the compilation and publication of the dictionary. More than 100 experts, scholars, and leaders of administrative organs directly under the General Political Department attended the symposium.

Xinjiang Military District Holds Work Conference

OW0808121895 Urumqi XINJIANG RIBAO
in Chinese 22 Jul 95 p 1

[By correspondent Li Wenfang (2621 2429 5364) and Yang Gongcheng (2799 0501 2052), reporter stationed

with Army units: "At a Political Work Conference of the Xinjiang Military District, Fu Bingyao and Pan Zhaomin Require Army Units Under Their Command To Successfully Promote Political Building in the Light of International and Domestic Situations"]

[FBIS Translated Text] We must make vigorous efforts to successfully promote ideological and political building among our Army units in the light of the new international and domestic situations which are constantly changing in a bid to guarantee that our Army units always meet political qualifications and that they always maintain the firmness of their political belief as well as the purity of their ideology and moral ethics. This was a requirement placed by Fu Bingyao, deputy commander of the Lanzhou Military Region [LMR] and concurrently commander of the Xinjiang Military District [XMD], and Pan Zhaomin, deputy political commissar of the LMR and concurrently political commissar of the XMD, on the Army units under their command at a political work conference of the XMD which ended on 20 July.

Pan Zhaomin pointed out: Strengthening the ideological and political building among Army units is a summation of the experiences gained by our Army in promoting construction and development over the past few decades, and poses an urgent requirement on Army units of the XMD under the new situation. Party committees and political organs at all levels must enhance their sense of urgency and of responsibility, place the task atop the agenda of various army-building endeavors, and unrelentingly persevere in handling the task. He stressed: To strengthen ideological and political building, we must spend time and efforts on the following three aspects in the light of the actual conditions existing among the army units of the XMD. First, we must always be on guard against the influence of scenes of debauchery, resolutely resist the corrosive influence of decadent ideology, and maintain the purity and solidity of army units. We must successfully conduct education in ideology and moral ethics and, particularly, we must conduct education in a revolutionary outlook on life with the spirit of plain living and hard struggle as well as patriotic dedication as the main substance of our education. We must improve guidance for conduct and exercise strict administration and supervision to ensure that our army units will resist corrosive influences at any time and under any circumstances. Second, we must keep a clear head and do a good practical job in resisting corrosive influences and in countering infiltration. We must always treat the prevention of corrosive influences and infiltration in politics as the main aspect of our ideological and political building, guide officers and men to heighten their vigilance against "Western-

izing" and "splitting and disintegrating" activities conducted by hostile forces at home and abroad, and consolidate our foundation for resisting corruption and preventing peaceful evolution. Third, we must strengthen unity between the Army and the government, between the Army and the people, and between different nationalities to maintain social stability as well as stability in our border defense. We must conduct intensive education in the Marxist national viewpoint and outlook on religions among Army units, strictly enforce the party's policy on nationalities and religious affairs, vigorously support local economic construction, and continuously consolidate and develop a good relationship — "breathe the same air, share the same destiny, and be of one mind with each other" — between the Army and the people of all nationalities.

Fu Bingyao pointed out: We must strengthen ideological and political building in close conjunction with our efforts to succeed in handling all the Army-related tasks in a bid to promote comprehensive building of the Army. We must attach a high degree of importance to successfully maintaining social stability as well as Army units' stability. We must persevere in setting high demands on fulfilling various tasks, with military training playing the focal role; successfully conduct difficult and strict military training among Army units by proceeding from the needs of actual combat; and enhance combat effectiveness in an all-around way. We must vigorously strengthen the building of reserve forces and bring into full play the role of militia and reserve units in making a concentrated effort to maintain social stability, participate in economic construction, and carry out missions of rushing to deal with emergencies and disasters and to provide relief. Meanwhile, we must make vigorous efforts to successfully promote the building of grass-roots units; conscientiously fulfill the general requirements — "political qualification, perfect mastery of military skills, excellent work style, high discipline, and effective logistic support" — raised by Central Military Commission Chairman Jiang Zemin in building Army units; improve the ability of party branches at grass-roots units to solve their own problems and to lead companies to build themselves up in an all-around way; ensure that instructions given by the higher levels are carried out in grass-roots units; and satisfactorily fulfill various tasks.

Results of New Procurement System Noted

OW0808122895 Beijing XINHUA Domestic Service in Chinese 1045 GMT 3 Aug 95

[By reporter Zhang Dongbo (1728 2639 3134) and correspondent Cui Yaozhong (1508 5069 0022)]

[FBIS Translated Text] Beijing, 3 Aug (XINHUA) — To adapt to the new situation of development of the

socialist market economy, a new way — consolidating the purchase of military goods and distributing them to relevant departments — has been adopted in supplying goods to all armed services, and noticeable good results have been achieved. On the eve of 1 August, Fu Quanyou, member of the Central Military Commission [CMC] and director of the General Logistics Department of the People's Liberation Army, and other leaders of the department held a meeting to discuss how to ensure the supply of military goods with Internal Trade Minister Chen Bangzhu and Bai Qingcai, executive deputy director of the headquarters of the All-China Supply and Marketing Cooperative, during the latter's visit to the General Logistics Department.

It has been learned that, as the socialist market economy develops, supplying military goods has changed from totally relying on the state's planned supply in the past to purchasing the bulk of goods from the market. To improve the situation in which purchase personnel travel in an unorganized manner, the General Logistics Department, following guidelines called the "Outline of Logistics Reform," which was approved by the CMC, issued as a circular to all armed services early this year to promote the new way of purchasing and supplying military goods. The new way has changed the troops' goods purchasing from decentralized purchasing to bulk purchasing of scale. In addition to enjoying the state's preferential policy on supporting the military and wholesale prices, the new way makes it more convenient to make use of materials produced by the troops themselves and gives priority to and ensures the supply of goods for developing the troops. By implementing unified supply, materials supply departments, according to the principle of ensuring the supply of key materials while taking care of the supply of general materials, and according to the demands for goods by various military units, can strike an overall balance in goods purchasing, can decide the importance and urgency of supplies, transfer surplus goods to meet demands, and make reasonable arrangements to ensure the supply of goods that are in demand. Since it was implemented, the new way of purchasing and supplying military goods has eased the pressure on the troops, ensured the quality of all military construction projects, reduced the troops' expenditures, and made the troops' management work more institutionalized. Some units which adopted the new way early saved hundreds of millions of dollars a year, to the delight of authorities at various levels.

During the meeting, leaders of the Internal Trade Ministry and the headquarters of the All-China Supply and Marketing Cooperative said they would support reform of the purchasing and supplying of military goods, conscientiously carry out the state's policy on military goods supply, and earnestly solve problems in carrying out the reform.

Guangxi Police Smash Illegal Emigration Group
95P30130A Beijing ZHONGGUO XINWEN SHE
in English 7 Aug 95

[Received via Internet WWW. Home page]

[FBIS Transcribed Text] Nanning, August 7 (CNS) — Guangxi border police crushed an illegal emigration ring with the help of Guangxi and Jilin police. Four ringleaders together with five other suspects were arrested and 54 passports were seized.

The first two ringleaders, Li Changnan and Bei Fengjin sneaked into the Guangxi border city of Pingxiang from Jilin Province on June 26. They offered RMB 10,000 to officials at the Friendship Pass border checkpoint in order to get exit permits for 34 passports.

Acting on an informant's report the border police took swift action and arrested the two suspects. During interrogation, they admitted that they collaborated with two others, Yi Jilong and Quan Yumin, from Jilin. On two occasions, one in December last year and the other in March this year, they arranged for illegal emigration to South Korea for the purpose of employment abroad. They profited some RMB 100,000 from their activities. Since March some 50 persons, who had paid over RMB 2.1 million, have been scheduled for illegal entry into South Korea. But 34 of the passports did not match up with legal requirements, Li and Bei tried to bribe officials at the Friendship Pass checkpoint in an attempt to circumvent the problems of illegality; passports were later taken to the South Korean consulate in Guangzhou by Yi Jilong in an attempt to obtain the appropriate visas.

The police captured other suspects on June 26 and 27. The case is now being dealt with by the Jilin authorities.

General**Official Says Enterprise Reform 'Clearer'**

OW0908060895 Beijing ZHONGGUO XINWEN SHE
in English 1237 GMT 8 Aug 95

[FBIS Translated Text] Beijing, August 8 (CNS) — China's enterprise reform has undergone twists and turns and more difficulties came to light when the reforms were put into practice. The Vice Secretary-General and spokesman for the State Commission for Restructuring the Economy Feng Bing, however, said that the direction of such reform was clearer and more comprehensive than in the past.

People are increasingly convinced that reforms are centred on improving the national economy generally and that state owned enterprises would be at the centre of such reforms. The reforms also place emphasis on keeping a handful of large enterprises under state control while at the same time affording a great number of small enterprises the opportunity to develop through their own efforts.

Such thinking helped change the way the enterprise reform was undertaken in the past. Substantial progress is expected from the reforms. When taking into account the improvement in the national economy, Mr. Feng said that the restructuring of state owned enterprises would no longer be limited to a particular enterprise model. Large enterprises could either be self funded or seek equity participation or incorporation with limited liability. Small enterprises could adopt a number of commercial means including association with other enterprises, equity participation, contracting, leasing, auction and bankruptcy.

Mr. Feng added that the enterprise reform was at its most difficult stage because the poor economic results of state owned enterprises left little room for change. Various supplementary measures could not be put in place easily and produce an immediate effect.

As state owned enterprises developed in different ways, the burdens to be shouldered were also different. Long term debts borne by state owned enterprises could not be immediately reduced. More than 20 million workers had been made redundant. They could not find new employment settled at once. More than 22 per cent of enterprise employees retired and constituted a burden on the firm which was legally bound to carry out its social function by offering pensions to the retired. It takes a considerable period of time to change such traditional enterprises' functions. Burdens placed on state owned enterprises can not be significantly reduced prior to wide ranging tax reform covering areas such as production, circulation and distribution.

Mr. Feng was convinced that despite being faced with so many difficulties state owned enterprises together with the state owned sector of the economy still played a dominant role in the national economy. They act as a driving force for the development of other sectors in the economy, a balance among industries, a regional balance and effective use of resources. It is evident that economic growth was not mainly due to the non-state-owned sector of the economy.

Official on Civil Aviation Technological Plans

OW0808154195 Beijing XINHUA in English
1518 GMT 8 Aug 95

[FBIS Transcribed Text] Beijing, August 8 (XINHUA) — China's aviation industry aims at enhancing the output achieved by scientific and technological progress in its total industrial production from the present 30 percent to 35 percent by the year 2000.

And by 2010 the proportion is expected to surpass 50 percent.

This was announced at a national scientific and technological conference for the civil aviation industry held here today. It was the second time such a conference has been convened in China.

Chen Guangyi, director of the Civil Aviation Administration of China (CAAC), said, "Scientific and technological standards have become a key factor in aviation security, service, economic efficiency and every other aspect of the industry."

Over the past decade China's civil aviation industry has boasted an average of 30 important scientific and technological achievements annually, with 116 of them awarded scientific and technological progress prizes conferred by the CAAC, and 14 obtaining national prizes.

Shen Yuankang, CAAC deputy director, elaborated on the goals of scientific and technological development for the industry.

With regard to its infrastructure, the industry will implement a new navigation system, with the establishment of radar control and VHF (very-high-frequency) coverage in eastern China and automatic monitoring in western China.

The upgrading of aircraft maintenance will be another major task.

Shen said the country aims at having 80 percent of domestic aircraft maintenance businesses reach international standards by the year 2000, and 90 percent of D-checks and engine overhauls, 60 percent of accessory maintenance of China's major fleets be done at home.

An air traffic network connecting airports in all provincial capitals and major cities, ten aviation oil depots, and several flight simulator and flight-attendant training centers will also be set up.

To reinforce management, the industry is to establish management information systems at regional administrations and airlines, and to achieve an initial network of the systems by the end of the century. A national information network will be set up before 2010.

Shen pointed out that investment in scientific education will be enhanced to help achieve these goals.

The industry at present puts 20 million yuan into scientific and technological education annually. With the addition of two million yuan each year, the amount will reach 30 million by 2010.

***Domestic Steel Price Trends Analyzed**

95CE0506A Beijing ZHONGGUO WUJIA [PRICES IN CHINA] in Chinese No 6, 1995 pp 3-10

[Article by Zhang Lanying (1728 5695 5391), Yang Wei (2799 1550), and Li Guoshun (2621 0948 7311), Price Information Center, Ministry of Metallurgical Industry: "Analysis of Domestic and International Rolled Steel Price Trends in Recent Years"]

[FBIS Translated Excerpt] A year has passed since the State Statistics Bureau issued "Circular Notice on Improving Iron and Steel Products Price Control." Just what has been the trend during the past year in the enforcement of guidance prices for ten kinds of rolled steel? Recently, we conducted a survey of ten major steel mills, of more than twenty production firms under the Shanghai Metallurgical Bureau, and of more than 20 finished steel markets in Beijing, Tianjin, Shanghai, and Guangzhou. We also made a detailed analysis of finished steel prices between May 1994 and April 1995, and of the near-term primary fuels situation, which is provided here for the reference of all concerned. The general situation is as follows: A majority of prices in iron and steel producing concerns and in the domestic steel market are falling, and finished steel market prices are falling more than production firm prices. Since October 1994, market prices of popular grades of steel have been fairly close to the ex-mill price of production enterprises. Prices of several kinds of finished steel between January and January 1995 suggest that the fall in prices has stopped, and that prices are stabilizing and making a slight upturn. Galvanized plate and tin plate products are in great demand, so their domestic market price shows a rising trend, but the rise is held in check by the ceiling price. Production enterprise ex-mill prices remain steady but the domestic market price far exceeds the guidance price. Meanwhile, pulled by

market demand, international prices have seen one price rise after another. This creates favorable conditions for China's export of more finished steel.

1. Changes in ex-mill prices of some enterprises to which guidance prices apply. (See Table 1 for details)

(A) Prices of most kinds of steel fell, with prices of only a small number of products remaining stable. The price of construction steel has fallen most, falling at an 11 to 15 percent rate. This includes a decline in the price of common wire from 3,320 yuan per ton in May 1994 to 2,790 yuan per ton in April 1995, a drop of 530 yuan or 15.9 percent; and a drop in the price of high grade wire from 3,350 yuan per ton in May to 2,840 yuan per ton in April 1995, a 15.22 percent drop. Screw-thread steel went from 3,300 yuan per ton in May 1994 to 2,860 yuan per ton in April 1995, a 440 yuan or 13.33 percent drop.

The price of hot rolled thin plate and cold rolled thin plate, which are used in production, fell slightly, the price of hot rolled thin plate falling from 3,440 yuan per ton in May 1994 to 3,350 yuan per ton in April 1995, a 90 yuan or 2.62 percent decline. Cold rolled thin plate went from 4,350 yuan per ton in May 1994 to 4,130 yuan per ton in April 1995 in a 220 yuan or 5.06 percent fall. Big concerns like Baoji Steel, Wuhan Steel, and Anshan Steel have maintained the price of plate steel steady for a long time.

Production of premium quality round bars and hot rolled silicon steel plate slumped owing to money difficulties in the machinery and electrical equipment industry causing a sustained slide in prices of these two items. Nor was the slide slight. Premium quality round bar prices fell from 3,690 yuan per ton in May 1994 to 3,430 yuan per ton in April 1995, a 260 yuan, or 7 percent, drop. The production costs of many special steel firms approach or exceed this price. Prices of hot rolled silicon steel plate fell from 6,360 yuan per ton in May 1994 to 5,380 yuan per ton in April 1995, a 980 yuan or 15.4 percent drop.

The price of galvanized plate rose, but the price of tin plate remained steady owing to the ceiling price. The price of galvanized plate rose from 4,500 yuan per ton in May 1994 to 4,690 yuan per ton in April, a 190 yuan per ton, or 4.22 percent rise. The price of tin plate remained at 4,900 yuan per ton, because Wuhan Steel and Baoji Steel prices remained steady. Market activity was also fairly brisk. Because of the price limits that government guidance prices imposed, production firms did not dare raise prices of galvanized plate and tin plate for which the market outlook was good. Nevertheless, since 70 percent of these items have to pass through a series of middlemen on their way to sale, and with the price

being raised at each stop along the way, transactions in the country's 20-odd steel markets show that the price of galvanized plate rose from 4,925 yuan per ton in May 1994 to 5,959 yuan per ton in April 1995. Thus, it rose 1,034 yuan, or 21 percent. The price of tin plate rose from 5,438 yuan per ton in May 1994 to 6,767 yuan per ton in April in a 1,322 yuan, or 24.3 percent, rise. Consumers had to pay a fairly high price, but production plants found little reason for enthusiasm.

2. Galvanized plate and tin plate prices fell sharply in 1994, but beginning in February 1995, prices leveled off and took an upturn. Prices of rolled steel fell fairly sharply between June and September 1994, most firms' prices falling approximately 100 yuan each month for several months following government enactment of guidance prices. Ex-mill prices remained fairly steady at the posted price, preferential treatment accorded in practice for large quantity purchases and for cash. Prices also fell only slightly. Prices of screw-thread steel, wire rods, small round bars, hot rolled thin plate, and cold rolled thin plate saw a slight uptick between February and April 1995, the price of screw-thread steel rising 60 yuan to 2,860 yuan per ton, the price of small round bars rising 50 yuan also to 2,860 yuan per ton, the price of common wire rising 70 yuan to 2,790 yuan per ton, high grade wire rising 90 yuan to 2,840 yuan per ton, hot rolled thin plate rising 20 yuan to 3,350 yuan per ton, and cold rolled thin plate rising 60 yuan to 4,130 yuan per ton.

3. Prices were generally higher in the south than in the north, real differences existing between one region and another. In the north (particularly in Beijing, Hebei, Henan, and the northwest), prices tended to be low, common wire ranging between 2,550 and 2,650 yuan per ton. In Shanghai, Hunan, Jiangsu, Zhejiang, and Guangxi, prices rose fairly fast, the ex-mill price of common wire running between 2,750 and 2,850 yuan per ton, and reaching approximately 2,900 yuan per ton in Shanghai. Screw-thread steel sold for between 2,800 and 2,950 yuan per ton, between 2,900 and 3,000 yuan per ton in Shanghai. Because of geographical location, prices of pangang [2372 6921] and heavy steel wire rods remained at between 2,900 and 3,000 yuan per ton.

(B) Domestic Finished Steel Market Price Changes (See Table 2)

Domestic finished steel market prices changed considerably between May 1994 and April 1995. Table 2 shows a declining price trend for eight out of 10 kinds of steel. These eight kinds were screw-thread steel, common carbon round bar steel, hot rolled medium thick plate, hot rolled thin plate, cold rolled thin plate, premium round bar steel, and hot rolled silicon steel plate, prices of

which declined respectively 682, 598, 620, 640, 80, 421, 699, and 1,017 yuan or 19.6, 17.6, 18.2, 18.5, 2, 9, 16.6, and 15.3 percent. The two kinds of steel that exhibited a rising trend were galvanized plate steel, and tin plate, which rose 1,034 and 1,322 yuan respectively or 21 and 24.3 percent.

Despite China's limited production in 1994, 80.04 million tons of rolled steel was produced, with output of most kinds satisfying domestic demand. However, owing to low output, production difficulties, and technical complexities, a few kinds of steel could not satisfy demand, requiring the annual import of high value-added varieties including galvanized sheets, tin plate, cold role thin plate, cold rolled silicon steel plate, petroleum conduits, and high pressure boiler tubes. Therefore, supplies of these kinds of steel are tight and prices high. Supply does not meet demand.

The reasons for domestic production concern and rolled steel market price changes are as follows:

1. Loss of control over imports of rolled steel, with too much being imported. In 1993 and 1994, the country imported 52 million tons of finished steel, or between 60 and 70 percent of annual domestic output. However, 76 percent of it was steel already in oversupply in the country. Loss of control over imports is the main reason that the country's steel supply is greater than demand, and that large quantities have accumulated in inventory.

2. Strict control over the scale of investment in fixed assets lowered social demand for finished steel. Capital construction, the technological transformation of industries, and real estate development, which result from investment in fixed assets, consume large quantities of steel. Steel consumption for these projects amounts to about one-third of the country's total steel consumption. Controlling the scale of investment in fixed assets amounts to a tremendous lowering of steel consumption. It causes a drop in social demand, which taken together with large scale imports results in surplus supply.

3. Shortage of working capital, decrease in real market purchasing power, and a supply of steel in excess of demand. Because of the overly high price index in 1994, which rose 21.7 percent, in order to stabilize prices to maintain a stable social environment, the government decided to control somewhat the issuance of money in an effort to lower the retail price index. Inasmuch as a circulating capital was already in short supply, the effect of this action on steel consumption was, first, a decrease in demand. Second, demand did exist, but lack of money to buy steel hurt steel consumption causing a decline in steel consumption. Supplies were greater than demand. In an effort to recoup money, production firms had to lower prices.

4. Steady increase in steel output. Steel output increased 2.96 million tons over 1994 in a 3.85 percent rise. On the basis of average monthly output during the first half of 1994, an output of 83.5 million tons of steel was forecast for the year. Measures to limit output and draw down inventories were adopted during the last half of the year in compliance with State Council directives. This succeeded in limiting output and drawing down inventories by 3 million tons.

Prices have fluctuated slightly since February 1995. The long-term contract price of wire rods was an average 50 to 100 yuan higher in March than in January. In Suzhou markets, the price per ton rose 270 yuan in a one percent rise. During April, May, and June, the long-term contract price rose between 150 and 200 yuan, up six to eight percent. In Suzhou markets, the price rose 330 yuan, up 12 percent. Some firms also raised prices of wire rods and thin, hot rolled coils by 50 yuan, and between 100 and 150 yuan.

Analysis of reasons for price rises shows the following:

1. Pull of the international steel market. The international steel market began to come alive during the fourth quarter of 1994. At the beginning of 1995, supply could not meet demand and prices rose. Furthermore, China increased exports of finished steel and steel billets, thereby reducing domestic supplies, which had an effect on domestic prices.

2. Drive of steel production prices. Ever since the last half of 1993, steel prices have declined steadily, on top of which is the shortage of money. Consequently, by the end of 1994, prices had declined to their lowest point. However, prices of raw materials and fuel have risen steadily, driving costs upward. Production of most steel products yields little profit. Iron and steel mill returns have fallen. Prices must reflect value, and the consumption of labor must be paid out of prices. This is an objective requirement of the law of value, and it is also the normal reflection of market change.

3. Effect of overly high expectations. During the continuous large scale importation of steel over a two year

period, some firms in the circulation chain accumulated large quantities of steel in inventory, which they could not sell because of the protracted low market price of steel. They had to pay a large amount of bank interest on this steel; thus, they sought every possible opportunity to get rid of it. They artificially used futures markets or various media to create a steel price rise atmosphere. Nor did they rule out risking capital in the steel market in an effort to make a profit.

[passage omitted]

In 1994, China imported 22.83 million tons of finished steel, more than double the state plan amount. More than 51 percent of it was construction steel, which was already plentiful within the country. In 1994, China imported 7.56 million tons of finished steel from the CIS, 6.894 million tons of which were steel bars of which there was already an abundance within the country. These accounted for 92 percent of imports from the CIS. Of the 10.056 million tons of steel bars that China imported during the whole year, 68.6 percent came from the CIS. Low price was the main reason CIS steel was able to compete in the China market and the main reason for the large imports. In 1994, the FOB price of screw-thread steel was \$210 per ton. Even after all fees and import tariffs, value-added taxes, and import costs are added in, the price is close to 2,870 yuan per ton. Meanwhile, the price of screw-thread steel in China's steel market during October was 2,974 yuan per ton, making imports profitable. In addition, import barter trade, border trade, gift giving, tax reductions and exemptions, tax evasion, and tax cheating bring the cost, insurance, and freight [CIS] price to approximately \$250 per ton, which converts to an import cost of approximately 2,200 yuan per ton. Even in today's depressed market, this price is competitive, and substantial profits can be made. Therefore, controlling the import of large amounts of low price CIS steel in 1995 will be a grim task.

(4) Analysis of Price Trends For Six Kinds of Finished Steel in 1995

Market Price of Six Kinds of Finished Steel Between January and May 1995

Date	Wire Rods Φ 6.5 mm	Screw-thread steel Φ 12 mm	Angle Bars	Medium Plate 6 mm	Cold Rolled Thin Plate 0.5 mm	Seamless Tubing 159x6
15 Jan	2,730	2,951	2,860	3,095	4,737	4,411
30 Jan	2,714	2,926	2,802	3,110	4,753	4,492
15 Feb	2,690	2,937	2,726	3,140	4,871	4,472

Date	Wire Rods Φ 6.5 mm	Screw-thread steel Φ 12 mm	Angle Bars	Medium Plate 6 mm	Cold Rolled Thin Plate 0.5 mm	Seamless Tubing 159x6
28 Feb	2,705	2,736	2,721	3,060	4,928	4,518
15 Mar	2,704	2,869	2,711	3,039	4,847	4,542
30 Mar	2,732	2,866	2,703	3,064	4,892	4,611
15 Apr	2,796	2,894	2,707	3,061	4,877	4,528
30 Apr	2,780	2,860	2,667	3,064	4,926	4,575
Increase or decrease	70	-71	-198	-34	189	164
Percent	2.56	-2.40	-6.9	-1.1	3.4	3.7

Market prices were steady between the first half of January and the second half of May 1995, with the prices of three products which meet requirements for varieties and specifications rising slightly. They were wire rods, cold rolled plate, and seamless tubing, which rose 70, 189, and 164 yuan respectively in a 2.56, 3.4, and 3.7 percent rise. Prices of three products that meet requirements for varieties and specifications declined. They were screw-thread steel, angle steel, and medium thick plate, which fell respectively 71, 198, and 34 yuan in a 2.4, 6.9, and 1.1 decline. Overall, steel prices remained basically steady during this period.

Since 1995, except for products in short supply, domestic steel prices for items such as tin plate, galvanized plate, and petroleum conduits have risen slightly. Prices of most of the remaining steel products have hovered at a low level; but they have stopped falling and have been steady for the most part. The reasons are as follows:

1. In order to stabilize steel market prices, the government asked steel firms to limit output, draw down inventories, and expand exports in 1994. After the metallurgy work conference, steel mills based output on sales, and made no shipments without receiving payment. Consequently, domestic stocks fell greatly. During the first quarter of 1995, steel output was 18.88 million tons, or 1.41 million tons less than the 20.29 million tons of the same period during the previous year for a 6.96 percent decline. Imports during the first quarter totaled 3.03 million tons, down 1.2 million tons from the same period during the previous year for a 28.3 percent decline. Steel exports totaled 830,000 tons, up 530,000 tons from the 300,000 tons for the same period in 1994, a 176 percent increase. The total for the three sources was 3.14 million tons less than for the previous year. The authorities concerned estimate steel consumption during the first quarter was about the same as during the same period during the previous year. Thus, steel inventories will decline by approximately 3.1 million tons, from 31

million tons at the beginning of the year to 28 million tons. The fall in steel inventories played a definite role in stabilizing market prices of steel.

2. Steady increase in social demand. During the first quarter of 1995, GDP was 981.1 billion yuan, up 11.2 percent from the same period in 1993. Investment in fixed assets totaled 111.8 billion yuan, up 37.2 percent over the same period in 1993. Industrial production value-added was 39.96 billion yuan, up 14.4 percent from the same period in 1993. Analysis of the domestic production situation shows steady increase in production and construction, the rate of increase being higher than the state plan, but markedly lower than for the same period in 1994. This means that economic development is proceeding in accordance with state macroeconomic regulation and control. Steel demand and steel prices are moving according to macroeconomic regulation and control goals.

3. Steel output is cost driven. The steady rise in prices of coal, electricity, petroleum, imported ore, imported scrap steel, and ferroalloys has driven costs upward. At the moment, there is no profit to be made from the production of most steel varieties. In addition, firms are short of funds. They are making price concessions for cash and trying to recoup money to buy raw materials and fuel. Steel enterprise returns declined during the first quarter, the whole industry making a profit of 1.77 billion yuan, which was only 19.4 percent the amount for the same period in 1994. Consequently, the firms raised prices of some kinds of steel to make up for increased costs. This is an objective necessity of economic law, as well as a normal reflection of market change.

4. Domestic supplies of goods in short supply increased tremendously, with thin steel plate increasing 14.2 percent, thin tin plate increasing 22.64 percent, output of petroleum conduits increasing 64.53 percent, output of

light rails increasing 35.31 percent, and output of large structural beams increasing 22.06 percent. The increased output of goods in short supply plays a positive role in satisfying domestic development needs, reducing imports, conserving foreign exchange and stabilizing prices. However, as capacity to produce kinds of steel in short supply is insufficient, and with supply not meeting demand, some steel has to be imported. Examples include galvanized sheets, tin plate, cold rolled silicon steel plate, stainless steel plate, enameled steel plate, petroleum conduits, high pressure boiler tubes, large diameter seamless tubing, cold rolled thin steel plate, and shipbuilding plate for which the shortage totals approximately 60 million tons. Since international steel market prices are rising with the upturn in the economies of western countries, imported steel prices directly affect the rise in the market price of the above kinds of steel. Encouraging domestic producers to produce more of the varieties in short supply is also necessary.

To summarize the above analysis, between January and May, domestic steel market prices were basically steady as a result of the government having adopted various macroeconomic regulation and control measures, and enterprises having put them into effect. Forecasts call for moderate growth in demand for steel during May and June. A policy of limiting domestic steel output, drawing down inventories, and ensuring sales will be enforced. Rise in the international market price of imported steel helps us control imports and encourage exports. Steel inventories will continue to fall to a reasonable level, and steel prices will remain steady with some upturn. With the arrival of the busy season in construction, sales prospects are good, but major fluctuations may occur.

Table 1. Some Changes in Steel Prices of Metallurgy Production Enterprises From May 1994 To April 1995. Units: Yuan/ton

Type	Specifications (mm)	May 1994	June	July	August	September	October	November
Screw-thread steel	Φ19-24	3,300	3,190	3,100	3,040	2,970	2,930	2,910
Common-Carbon Round Bars	Φ10-12	3,230	3,160	3,060	3,050	2,980	2,940	2,920
Common-Wire	Φ6.5	3,320	3,160	3,080	2,990	2,990	2,870	2,810
High Grade Wire	Φ6.5	3,350	3,230	3,070	3,020	2,900	2,900	2,800
Hot Rolled Medium Thick Plate	17-20	3,160	3,040	2,950	2,980	2,890	2,840	2,800
Hot Rolled Thin Plate	1.5	3,440	3,350	3,310	3,370	3,340	3,270	3,330
Cold Rolled Thin Plate	1.5	4,350	4,210	4,060	4,160	4,160	4,080	4,070
Galvanized Plate	1.5	4,500	4,660	4,360	4,360	4,360	4,500	4,500
Tin Plate	0.32	4,980	4,900	4,900	4,900	4,900	4,900	4,900
Premium-Round Bars	Φ38-42	3,690	3,670	3,760	3,500	3,480	3,470	3,450
Hot Rolled Silicon Steel Plate	DR510-500.0	6,360	6,180	6,080	5,840	5,810	5,810	5,810

Some Changes in Steel Prices of Metallurgy Production Enterprises Between May 1994 and April 1995 (Continued)

Type	Specifica- tions (mm)	December 1994	January 1995	February	March	April	Comparison of April 1995 with May 1994	Percent
Screw- thread steel	Φ19-24	2,860	2,800	2,810	2,850	2,860	-440	-13.33
Common- Carbon Round Bars	Φ10-12	2,900	2,850	2,810	2,850	2,860	-370	-11.45
Common- Wire	Φ6.5	2,800	2,720	2,710	2,770	2,790	-530	-15.96
High Grade Wire	Φ6.5	2,780	2,750	2,750	2,810	2,840	-510	-15.22
Hot Rolled Medium Thick Plate	17-20	2,810	2,800	2,760	2,710	2,710	-450	-13.43
Hot Rolled Thin Plate	1.5	3,320	3,320	3,330	3,340	3,350	-90	-2.62
Cold Rolled Thin Plate	1.5	4,050	4,050	4,070	4,130	4,130	-220	-5.06
Galvanized Plate	1.5	4,450	4,500	4,500	4,500	4,690	190	4.2
Tin Plate	0.32	4,900	4,900	4,900	4,900	4,900	0	0
Premium Round Bars	DR510- 500.0	5,810	5,510	5,400	5,400	5,380	-980	-15.40

Changes in Steel Market Transaction Value Between May 1994 and April 1995. Units: Yuan/ton

Type	Specifica- tions (mm)	May 1994	June	July	August	September	October	November
Screw- thread steel	Φ20	3,480	3,397	3,290	3,161	3,036	2,974	2,919
Common Carbon Round Bars	Φ10	3,399	3,318	3,226	3,147	2,851	2,971	2,926
Wire Rods	Φ	3,395	3,296	3,177	3,006	2,881	2,826	2,764
Hot Rolled Medium Thick Plate	20	3,453	3,430	3,310	3,141	3,116	3,015	2,963
Hot Rolled Thin Plate	1	4,019	4,025	3,911	3,753	3,767	3,755	3,621
Cold Rolled Thin Plate	1.5	4,655	4,560	4,595	4,422	4,386	4,331	4,279
Galvanized Plate	1	4,925	4,909	4,915	4,872	5,049	5,040	5,068

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Type	Specifica- tions (mm)	May 1994	June	July	August	September	October	November
Tin Plate	0.25	5,438	5,446	5,703	5,693	5,682	6,025	5,925
Premium Round Bars	Φ40	4,211	4,163	4,118	3,983	3,872	3,870	3,965
Hot Rolled Silicon Steel Plate	0.5	6,650	6,560	6,442	6,401	6,303	6,133	6,047

Changes in Steel Market Transaction Value Between May 1994 and April 1995. (Continued) Units: Yuan/ton

Type	Specifica- tions (mm)	December 94	January 1995	February	March	April	Comparison of April 1995 with May 1994	Percent
Screw- thread steel	Φ20	2,855	2,818	2,796	2,838	2,800	-682	-19.6
Common Carbon Round Bars	Φ10	2,854	2,822	2,782	2,796	2,801	-598	-17.6
Wire Rods	Φ6.5	2,713	2,714	2,707	2,718	2,775	-620	-18.2
Hot Rolled Medium Thick Plate	20	2,960	2,906	2,827	2,828	2,813	-640	-18.5
Hot Rolled Thin Plate	1	3,650	3,873	3,850	3,837	3,939	-10	-2
Cold Rolled Thin Plate	1.5	4,244	4,265	4,244	4,451C	4,234	-42	-9
Galvanized Plate	1	5,341	5,233	5,150	5,250	5,959	1,034	21
Tin Plate	0.25	6,268	6,120	6,350	6,388	6,760	1322	24.3
Premium Round Bars	Φ40	3,760	3,780	3,680	3,659	3,512	-699	-16.6
Hot Rolled Silicon Steel Plate	0.5	6,003	5,921	5,730	5,665	5,663	-1,017	-15.3

World Steel Market Price Changes Between May 1994 and April 1995 Units: Yuan/ton

Type	May 1994	June	July	August	September	October	November
Screw-thread Steel	319	319	316	316	322	331	335
Small Structural Beams	333	341	343	345	347	353	360
Wire Rods	324	326	336	336	339	341	346

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Type	May 1994	June	July	August	September	October	November
Structural Beams	353	346	350	352	354	361	368
Medium Thick Plate	367	372	410	414	416	426	429
Hot Rolled Steel Coil	337	348	380	386	392	400	412
Cold Rolled Steel Coil	445	454	490	495	502	505	526
Hot Galvanized Thin Plate	477	484	526	533	538	544	545

World Steel Market Price Changes Between May 1994 and April 1995 Units: Yuan/ton

Type	December 1994	January 1995	February	March	April	April 1995 and May 1994	Percent
Screw-thread Steel	335	338	341	372	381	62	19.4
Small Structural Beams	360	357	370	401	415	82	245.6
Wire Rods	346	347	353	373	376	52	16
Structural Beams	368	382	390	416	442	89	25.2
Medium Thick Steel	429	445	474	495	510	143	38.9
Hot Rolled Steel Coil	412	428	431	466	477	140	41.5
Cold Rolled Steel Coil	526	534	555	612	625	1890	40.4
Gold Galvanized Thin Plate	545	578	604	626	625	148	31

***Positive Effects of Beijing-Kowloon Railroad Noted**
 95CE0485A Hong Kong CHING-CHI TAO-PAO
 [ECONOMIC REPORTER] in Chinese 5 Jun 95
 No 22, pp 9-10

[Article by Chin Hsing-yuan (6855 5281 0337):
 "Beijing-Kowloon Railroad: Commercial Opportunity,
 Resource, and Investment Tactics"]

[FBIS Translated Text] The Beijing-Kowloon Railroad begins in Beijing and Tianjin and traverses seven provinces, including Hebei, Shandong, Henan, Anhui, Hubei, Jiangxi, Guangdong and terminates in Kowloon.

The main track is 2,381 kilometers long. This trunk line required the largest investment in the history of railroad building in China, and it is the longest single line built in the country. The Beijing-Kowloon railroad has an economic effect on 500,000 square kilometers, and on about 200 million people on both sides of the right of way, the industrial and agricultural output value of which is 15 percent of the total for the country. Overall economic development prescribes a W shape, i.e., both ends are developed, the middle heaves upward, and the rest is awaiting development.

From the standpoint of overall economic development, the economic benefits derived from the Beijing-Kowloon Railroad, which will be open to traffic along the entire route ahead of schedule by the end of this year, have already been far greater than those derived from the building of any railroad. First, the day that the Beijing-Kowloon Railroad opens to traffic is the very day that China's Ninth Five-Year Economic and Social Development Plan begins. Under the Ninth Five-Year Plan, which is now being drawn up, agricultural, rural, and peasant problems will receive special attention; and the policy of giving priority to the development of coastal regions will be adjusted to a policy that leans toward industry. This will have a positive effect on major agricultural areas and central China areas along the Beijing-Kowloon right of way. The development of areas along the Beijing-Kowloon Railroad will be reflected in the Ninth Five-Year Plan. Second, the opening to traffic of the Beijing-Kowloon Railroad before Hong Kong's return to the motherland on 1 July 1997 provides another thoroughfare leading directly to Beijing for compatriots in Hong Kong and Macao; and it also provides more commercial opportunities for compatriots from Hong Kong, Macao, and Taiwan, as well as overseas Chinese to return to inland China and invest. Therefore, the Beijing-Kowloon Railroad right of way not only holds real significance in spurring regional economic development through the exploitation of resources, but it will especially attract the solicitude and support of overseas Chinese, and of Hong Kong, Macao, and Taiwan compatriots.

Emphasis on Development of Business, Trade, and Tourism

The Beijing-Kowloon Railroad is located south of the fortieth parallel in the temperate and sub-tropical zones where the climate is warm and moist. The Huang He and Huai He plains, the middle reaches of the Chang Jiang, the Gan Jiang Basin, and the Dong Jiang Basin are vast and fertile agricultural areas having plentiful material resources for agriculture. However economic development along the entire line lagged for a long time, basically because it was cut off from transportation, and because the circulation of goods was hampered. However, once the Beijing-Kowloon Railroad opens to traffic, the transportation situation will change greatly. On its way southward from Beijing, the Beijing-Kowloon line will cross numerous major transportation arteries including the Longhai Railroad, the Chang Jiang, and the Zhejiang-Jiangxi Railroad. In north China is the Shijiazhuang-Dezhou Railroad, and the Xinxiang-Shiyuegang Railroad; in the south is the Guangzhou-Meixian-Shantou Railroad and the Zhejiang-Jiangxi Railroad; and in central China is

the Longhai Railroad and the Jiu Jiang and Chang Jiang water transportation arteries as well as developed highway networks. On this great transportation artery lie, or will lie, approximately ten transportation hub cities. One might term them a succession of golden crossroads. One can travel to all parts of the country and elsewhere in the world from the Beijing-Kowloon Railroad.

The quickest way to develop the economy along the Beijing-Kowloon Railroad is through business and trade, moving large quantities of agricultural and sideline products, well-known and premium local products, and bamboo and wood manufactures, as well as yellow sand and stone to domestic and international markets, permitting the flow of all resources, and buying inexpensive but attractive industrial wares and materials used in agriculture from abroad. Local materials found along the Beijing-Kowloon Railroad may be used to build dehydrated vegetable plants, medium density fiber board factories, and wushouji [3527 7445 7741] series products factories, using local products to advance development of the local economy, thereby stimulating the building of numerous factories and the prosperity of millions of peasants as well as city and town residents. More bases that produce "market basket" items, and export processing bases need to be built along the Beijing-Kowloon Railroad.

Some farsighted Hong Kong and Taiwan businessmen have already taken the initiative to invest in the building of food cities for the processing of dehydrated vegetables and asparagus for sale in America, Japan, and southeast Asia for high profits. Other businessmen are concentrating on cotton growing areas along the Beijing-Kowloon Railroad, which cover a broad area and produce large amounts of cotton, but where cotton textile industry processing technology is backward, and design and dyeing techniques are antiquated. They have already invested in the building of textile cities in northern Hubei, which is a farsighted investment action. Construction materials processing along the Beijing-Kowloon Railroad also offers great opportunities. Granite and marble reserves are large. Although both Jiujiang and Macheng have numerous stone processing mills, they lack fine processing capabilities. With large scale economic development along the line, the demand for construction materials will be great, making this an ideal field for investment.

Nor should development of real estate and tourism resources be neglected. Land prices along the Beijing-Kowloon Railroad are low everywhere and labor is cheap. In most areas, the monthly wage for a common laborer is only about 300 yuan renminbi. The area along the railroad cries out for the construction of infrastruc-

tural facilities such as warehouses, and containerized cargo collection and distribution yards. Development prospects are extremely enticing. Famous historical and cultural cities along the line include Liaocheng, Jiujiang, Nanchang, and Ganzhou. Jinggangshan, Lushan, Dabieshan, Liujushan, and Longhushan are well-known mountains. However, because of the lack of transportation, tourism facilities in most tourist areas are backward. Quality tourist guest houses and first class high speed highways are lacking, and tourists are few. Once the Beijing-Kowloon Railroad opens to traffic, a tide of tourists is sure to arrive. This provides a business opportunity for foreign businessman investment. Prospects are that investment in these projects can be recovered within as little as three years and between five and seven years at most.

Acting Within Capabilities on Processing Industries

A glaring weakness of the Beijing-Kowloon line is that both ends of it are developed, but the middle is weak. It lacks important industrial and commercial cities like Wuhan and Nanjing; and it lacks ability to stimulate the economy of the area surrounding the line. Except for the Nanchang-Jiujiang area, which is fairly well developed commercially and industrially, development of the other more than 10 prefecture seat cities is more or less the same. This means that a number of large, strongly interconnected and technology-intensive turnkey enterprises will have to be built in transportation hub cities. Then these key cities can serve as points for stimulating an economic take-off along the whole line and the area radiating out from the line.

Present conditions suggest that the Nanchang-Jiujiang industrial area, and the Shangqiu-Fuyang area have the best conditions for becoming two new economically commanding locations in the middle of the Beijing-Kowloon line. In addition, Dongguan, Huizhou, and Heyuan in Guangdong Province, Ganzhou and Ji'an in Jiangxi, Macheng in Hubei, Heze, Liaocheng in western Shandong, and Hengshui, and Baxian in eastern Hebei all have possibilities for becoming key economic cities along the Beijing-Kowloon line.

In general, the industrial foundation is fairly poor all along the Beijing-Kowloon line. Development of resources there requires the application of science and technology, and must be guided by market demand. The focus in the development of light industry must be on the production of ultimate products having a fairly high technology content, and fairly great value added; and with priority given to the development of deep processing of agricultural and sideline products, the development of distinctive products, premium quality textiles, and high quality construction materials. Development of

the machine building and electronics industry requires a division of labor and cooperation geared to the production of sophisticated products. Also, a large number of processing industries may be operated in cities and towns where stations are located, thereby linking the development of processing industries with the building of small cities and towns to conserve land and control pollution. These considerations should also apply to foreign firm investment.

Increase Investment by Bringing It In From Abroad and by Establishing Lateral Ties at Home

The Beijing-Kowloon Railroad affects a broad area and the line is very long. A large investment is required for infrastructure including highways, highway bridges, piers, electric power, and communications. The more than 180 large and medium size infrastructure projects alone require 40 billion yuan; therefore, government policy and financial support is needed.

The various policies that the government applies to coastal cities opened to the outside world can be applied to cities along the line at the prefecture seat level and above. Policies to attract business investment may be extended beyond tax preference to other areas. For example, when attracting foreign firms to invest in long-term energy and communications projects, they should be permitted to invest in some projects that go into production quickly, that are of a technological level suited to medium and small scale enterprises, and that return a quick profit. These short term projects will help along the long term ones. Enterprises that import materials for processing may get materials locally, or a certain amount of the domestic market may be allotted to them as circumstances permit.

The government must help build a number of major parts of the infrastructure; and the government must give priority to national level policy approvals and bank credit, and state investment of funds. Now, the Beijing-Kowloon line needs to expand and build new large thermal power plants, large chemical fertilizer plants, large cement plants, and farm machinery and farm vehicle plants; and it needs to improve national trunk highways, develop the Boyang Lake region, and expand communications cable projects.

The Beijing-Kowloon Railroad is not open to traffic yet, but foreign investment has begun to heat up. The number of three kinds of partially or wholly foreign-owned enterprises has risen greatly in Heyuan in northern Guangdong, in Ganzhou, Nanchang, and Jiujiang in Jiangxi, and in Shangqiu in Henan. The projects in which foreign firms have directly invested are mostly food, textile dying, and construction materials for which

local resources are plentiful and for which international market demand is great.

Within a few years, if economic development of the Beijing-Kowloon line enters the fast lane, a more than 3,000 kilometer long economic growth strip, the newest and the longest in south central China, will appear. It will narrow the gap between the south central region and coastal regions; and it will help tens of millions of people along the railroad escape poverty and become prosperous, going from a subsistence level to a comfortably well-off standard of living. It will also help stabilize the prosperity of Hong Kong and Macao.

***Planned Rail, Water Transport Projects Reported**

95CE0485B Shenyang ZHONGHUA DISAN CHANYE
BAO in Chinese 1 Jun 95 p 1

[Article by Cai Ming (2088 7686): "Transportation to 2000"]

[FBIS Translated Text] Only four and one-half years remain until 2000. Can the currently seriously overloaded transportation industry keep up with development of the national economy, and not become another "bottleneck" limiting economic development? The "Three Mains and One Support" highway and water transportation plan that the Ministry of Transportation has proposed makes a clear reply.

People are aware that transportation is fundamental to national economic development. For a long time, transportation has been a weak link in the national economy, and lags well behind the needs of national economic and social development. The contrast between transportation capacity and transportation needs is glaring. It is manifested in the "three no keep ups," namely: inability of public infrastructure construction to keep up with the growth of vehicle and ship transportation; inability of vehicle and ship transportation growth to keep up with the increased need for passenger and freight transportation; and inability to increase the amount of available transportation to keep up with rapid development of the national economy.

The demand for transportation will go on for a long time. Traffic will increase rapidly. The amount of transportation devoted to the movement of energy, raw and processed materials, and foreign trade goods will rise steadily. It is estimated that by 2000 highway passenger volume will reach more than 18 billion trips, 1.33 times the 1990 volume. Passenger turnover will reach 810 billion man kilometers, 2.09 times the 1990 amount. Freight traffic volume will reach 17 billion tons, 1.35 times the 1990 amount; and freight turnover volume will reach 940 billion ton kilometers, 1.8 times the 1990 figure. Water transportation passenger volume

will reach 360 million, up 32 percent from 1990; and freight volume will reach 1.55 billion tons, up 94 percent from 1990. Coastal port cargo handling volume will reach more than 1.1 billion tons, a 1.27 fold increase over 1990. Clearly, transportation must be greatly expanded, with the principle followed of transporting by water what can best be transported by water, and transporting by highway what can best be transported by highway for overall coordinated development. The Ministry of Transportation proposes a period of approximately 30 years to complete the "Three Mains and One Support" highway and water transportation plan. The goals of this plan that are to be realized by 2000 are as follows:

Highways: opening of 12.5 million kilometers of highway to traffic, high grade highway distance above the secondary highway level quadrupling over 1990; with emphasis on construction of two north-south and two east-west national trunk highways, and three main road sections (the two north-south highways are the highway from Tongjiang to Sanya, and the highway from Beijing to Zhuhai). The two east-west highways are the highway from Lianyungang to Huerguosi, and the highway from Shanghai to Chengdu. The three important sections include a section from Beijing to Shenyang, one from Beijing to Shanghai, and one from Chengdu to Beihai. This will make it possible to travel by high grade roads along four national trunk highways through the country's main economic regions, namely along the coast, along the Chang Jiang, along the Longhai Railroad, and along the Beijing-Guangzhou Railroad.

Coastal Ports: building of 1,100 medium grade or above production anchorages, and with approximately 650 of them deep water anchorages; and with emphasis on the building of a coal, containerized cargo, and bulk cargo transportation system to keep loading, unloading, and transportation capacity of the main kinds of freight substantially in balance.

Inland River Transportation: emphasizing transportation on the Chang Jiang, the Zhu Jiang, and along the Grand Canal between Beijing and Hangzhou, raising navigation grade standards, improving and building wharf anchorages, improving waterways and channels, and expanding cargo handling capacity.

Support for a Support System: changing the composition of the present shipping fleet, accelerating the construction of shipping containers, automobile roll-on roll-off transportation, bulk loading of cement, and new passenger ships; changing the kinds of motor vehicles used, the emphasis going to development of high and medium quality passenger vehicles, and large special purpose diesel vehicles.

In order to realize these goals, China will continue preferential policies for building transportation infrastructure, adhere to a policy of benefits to those who invest, and encourage foreign firms to invest in the building of highway and water transportation infrastructure.

Finance & Banking

State Council To Control of Securities Association

OW0808121395 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0300 GMT 28 Jul 95

[FBIS Translated Text] Beijing, 28 Jul (ZHONGGUO TONGXUN SHE) — An official of the Securities Association of China [SAC] recently disclosed that the SAC will come under the jurisdiction of the State Council and will soon be under the direct leadership of the Securities Commission of the State Council. The People's Bank of China will no longer be in charge of the SAC.

The incorporation was originally planned for completion in June but for various reasons has not yet been completed. It is estimated that the incorporation will be completed in August. Whether there will be any changes in the organizations and work of the SAC after its incorporation with the Securities Commission of the State Council is still not clear; however, the nature of the association as a national organization for self-regulation of stock exchanges will remain unchanged.

The SAC, established in August 1991, is a national organization through which stock exchanges exercise self-discipline. It has 222 members now.

Ministry Issues Circular on State Treasury Bond

SK0908075795 Beijing XINHUA Domestic Service in Chinese 2004 GMT 5 Aug 95

[FBIS Translated Text] Beijing, 6 Aug (XINHUA) — Circular (No. 4) of the PRC Ministry of Finance.

According to the "Regulations on the PRC state treasury bond," we hereby issue the following circular on the "1995 one-year book-entry state treasury bond":

1. We plan to issue 10 billion yuan worth of the 1995 one-year book-entry state treasury bond (herein referred to as current state treasury bond). The annual interest rate is 11.98 percent, and will take effect from 26 August. Capital plus interest will be paid back in a lump sum from 26 August 1996 onwards, and no compound interest will be paid.

2. We will begin issuing current state treasury bonds from 16 August 1995 to 16 September 1995. After this period, the bonds can be circulated on the market.

3. After first-level jobbers and other securities operation institutes underwrite the current state treasury bond, they will be issued to the public in the form of book-entry through the securities trading system of the Shanghai Securities Exchange, Shenzhen Securities Exchange, Wuhan Securities Trading Center, and Tianjin Securities Trading Center.

This is hereby published.

[signed] The PRC Ministry of Finance

[dated] 6 Aug 1995

Campaign Nets 1.47 Billion Yuan in Illegal Funds

OW0808113495 Beijing XINHUA in English 0843 GMT 8 Aug 95

[FBIS Transcribed Text] Beijing, August 8 (XINHUA) — China has achieved initial success in uncovering state revenues illegally retained by enterprises and government institutions, the Ministry of Finance announced here today.

A total of 1.15 million enterprises and work units had conducted self examination by the end of June, netting 1.47 billion yuan in funds that should have gone to the state coffers but have been retained illegally, the ministry said.

Of the amount, 1.067 billion yuan was found to have been retained by local enterprises and work units and 403 million yuan by central government institutions and departments.

A circular jointly issued by the Ministry of Finance, the State Auditing Administration and the People's Bank of China said that the closing date of the campaign against illegally retaining state revenues has been postponed to September 15 from the previously-set deadline of the end of August, in an effort to ensure bigger achievement.

Those most serious cases of keeping otherwise state revenues for the use of the individual enterprise or work unit will be made public, the circular said, adding that those individuals directly accountable for such cases will be punished accordingly.

Education Work at Taxation Departments Urged

OW0808153695 Beijing XINHUA in English 1507 GMT 8 Aug 95

[FBIS Transcribed Text] Qinhuangdao (Hebei), August 8 (XINHUA) — Education work at taxation departments nationwide must be enhanced in order to make sure that all tax duties are properly fulfilled, a senior

official of the State Administration of Taxation (SAT) said today.

Speaking at a national meeting, Deputy Director of the SAT Xiang Huaicheng said that taxation personnel must keep improving themselves ideologically and professionally, as new conditions and problems keep emerging in the process of tax reforms.

"Unhealthy tendencies must be curbed," Xiang said, referring to such illegal activities as giving tax exemptions and breaks at random.

As more power in taxation has been shifted to the localities, greater importance must be paid to strengthening educational work in this respect in grass-roots areas, Xiang said.

***Renminbi Exchange Rate, Foreign Trade Reviewed**

95CE0491A Beijing GUANLI SHIJIE
[MANAGEMENT WORLD] in Chinese 24 May 95
No 3, pp 49-52

[Article by Xiong Xianliang (3574 6343 5328): "The Renminbi Market Exchange Rate and China's Internal and External Economic Balance"]

[FBIS Translated Text] A phenomenon accompanying the foreign exchange system reform of 1994 that has aroused "general concern," and has also occasioned "general puzzlement", was a rise in the renminbi foreign exchange rate from 1 to 8.70 to 1 to 8.44, a 3 percent rise at a time when domestic inflation was more than 20 percent. But for the central bank's "buying up" of large amounts of foreign exchange, the rise in the renminbi rate of exchange, which is based on the foreign exchange market, would have been greater. This article will explain this phenomenon in terms of the new renminbi exchange rate formation mechanism, relating it to the state of the national economy. It will also discuss some ideas about the internal and external balance of the nation's economy.

1. The New Renminbi Exchange Rate Formation Mechanism

In 1994, China conducted a major reform of its foreign exchange system. First was the merger of the official exchange rate with the foreign exchange swap market exchange rate of 1 January, which caused the exchange rate to fall from 1:5.80 to 1:8.70, a 33 percent drop. On 1 April, the bank exchange settlement and exchange sales system was inaugurated, with many domestic enterprise cash spot exchange accounts being cancelled. Proportional control of designated foreign exchange bank settlement cycle foreign exchange balances was instituted, and an "interbank foreign exchange market"

was set up. The central bank bought and sold foreign exchange on the foreign exchange market to regulate the supply and demand for foreign exchange of designated foreign exchange banks. The new renminbi exchange rate is based on the market renminbi exchange rate. Therefore, any explanation of the 1994 rise in the renminbi exchange rate has to start with the operation of the foreign exchange market.

The inter-bank foreign exchange market today is the "Chinese Foreign Exchange Center" headquartered in Shanghai. It is a highly organized, physical spot exchange market whose member units have expanded from a few score in 1994 to the present 303, the most important of which are the country's various designated foreign exchange banks, and both foreign-owned banks and non-banking financial institutions. The net amount of foreign exchange supply and demand among these members is supplied or purchased by the central bank.

The price at which the central bank buys or sells foreign exchange is the price that keeps the market supply and demand for foreign exchange in balance. This is to say that the central bank decides the foreign exchange market price. If the market supply of U.S. dollars cannot meet demand, the U.S. dollar rises. In order to maintain the "target exchange rate," the central bank may sell off U.S. dollars at a relatively low price to other financial institutions. If the supply of United States dollars exceeds demand, and the value of the U.S. dollar drops, the central bank may enter the market to buy up U.S. dollars at a relatively high price, dumping renminbi. In 1994, most of the activity in the foreign exchange market was of the latter type.

For what reason are the members of this market impelled to hold more U.S. dollars that they need? In order to answer this question, we must examine China's foreign exchange settlement system and the current accounts column of its international balance of payments.

Simultaneous with the birth of the inter-bank foreign exchange market was the inauguration of the bank foreign exchange settlement and sale system. Under this system, all the foreign exchange earnings in the current accounts column of the balance of payments statement are posted at the bank posted exchange rate as "supply" to designated foreign exchange banks (foreign-owned firms and a small number of domestic firms excepted). Also, designated foreign exchange banks are obligated to sell exchange to those in need of foreign exchange as the country's foreign exchange use system requires. In addition, the banks also settle and sell foreign exchange for some capital accounts and other accounts. As the central bank exercises strict proportional control

of the settlement cycle for foreign exchange balances of designated foreign exchange banks, it is differences in bank foreign exchange settlement and sales that directly determine their foreign exchange supply and demand in the banking market. During a nine month period, income from settlement of foreign exchange was consistently greater than payments for foreign exchange sales in China; thus, the banks dumped "surplus" U.S. dollars. State General Administration of Exchange Control statistics on bank foreign exchange settlements and sales confirm this point. Between April and December 1994, cumulative bank settlements of exchange exceeded exchange sales by \$34 billion, 61 percent of them trade accounts, and 26 percent of them other than trade accounts, with the two totaling 87 percent. Capital accounts and other accounts accounted for only 13 percent. This demonstrates that the main reason for the rise in the renminbi exchange rate was the country's current accounts, particularly trade account exchange settlements that were greater than foreign exchange sales. There was no other reason such as a large influx of foreign capital as some people say. Some also use the delay in settling accounts and the payment of exchange ahead of time during 1993 as a explanation for the tremendous difference in the settlement of exchange in 1994. Were this the case, the difference in the settlement of exchange during the second quarter should be substantial, but actually the biggest difference in exchange settlement occurred in November. There was not much difference in exchange settlements from one season to another. In addition, exchange settlement income (exchange sales expenditures) as a percentage of customs exports (or imports) suggests a similar trend: They rose substantially in January, steadily declining thereafter.

Some also claim that foreign capital wormed its way into the bookkeeping columns as false current accounts for arbitrage purposes, creating differences in exchange settlements. This possibility cannot be ruled out, but the amount could not be as large as it is. The role of China's high inflation rate in offsetting real interest rates makes it difficult to believe that any reasonable foreign firm would be so crazy as to do such a thing.

So what made trade account exchange settlement income greater than exchange sales expenditures between April and December 1994? There are two reasons: One is the real trade situation in which total exports were greater than total imports. The other is the effect of limiting factors. The portion of exports for which the banks settled exchange as a percentage of total exports is higher than the portion of foreign exchange purchases from banks as a percentage of total imports. Customs statistics show a favorable balance of trade for China of \$5.3 billion in 1994; but the favorable balance be-

tween April and December was \$10.4 billion. Imports and exports of the three kinds of partially or wholly foreign-owned enterprises as a percentage of China's total imports and exports during these two periods was 46 and 29 percent respectively, and mostly banks did not settle or sell exchange. Thus, we can surmise that the actual trade for which the banks settled exchange between April and December 1994 was a real favorable balance of trade.

During 1994, China's balance of trade changed from adverse to favorable, the main reason being the large downward readjustment of the renminbi exchange rate at the beginning of the year (and the expectations of this change in 1993), as well as the effects of a deflationary macroeconomic policy. These factors accelerated export growth in 1994 (by 32 percent), and the speed of increase in imports declined (by 11 percent). This was similar to several previous lowerings of the renminbi exchange rate.

This concludes our explanation of the 1994 rise in the renminbi market exchange rate. The chain of events may be summarized as follows: downward readjustment of the renminbi exchange rate (and a somewhat tightened macroeconomic policy); favorable balance of trade and current accounts; favorable bank exchange settlement and sale accounts; bank exchange settlements greater than exchange sales; foreign exchange supply greater than demand in inter-bank exchange market; and rise in the renminbi exchange rate.

Obviously, basing the renminbi exchange rate on the foreign exchange market to realize free convertibility of renminbi current accounts requires improvement of the renminbi exchange rate formation mechanism. First, it requires a change in the role that the central bank plays in this market to make it an active player in foreign exchange open market business rather than a passive acceptor of bank exchange settlement and exchange sale balances. For example, it might expand the foreign exchange balances held by the designated foreign exchange banks, or allow them to decide this balance for themselves. Second, it might expand the number of participants in exchange settlement and sales, such as including the three kinds of partially or wholly foreign-owned enterprises, and individual investors. This would help expand the coverage of the inter-bank foreign exchange market. Another is liberalization of limitations on bank purchases of foreign exchange, eliminating the asymmetry of exchange settlement and sale conditions. A market exchange rate thus formed might more truly reflect supply and demand of foreign exchange.

2. Co-existence of Renminbi Exchange Rate Rise and Currency Inflation

Many people who base their thinking on "purchasing power parity" theory are puzzled by the coincidence of a renminbi exchange rate rise and currency inflation. Purchasing power parity theory has connotations at two levels. One is in the absolute price sense, meaning an equal ratio between the exchange rate and domestic and foreign commodity prices. In other words, after a rise in domestic prices, the local currency exchange rate must fall in order to remain consistent with foreign prices. The other is in the relative price sense, meaning an equal balance between changes in the exchange rate and changes in the domestic and foreign price indices. In other words, the exchange rate of a high inflation country currency must fall in order to maintain balance in the purchasing power of the two countries' currencies. The premise on which this theory is founded is no nontrade products and completely free trade, with the increase or decrease in the supply of a country's currency being reflected in a rise or fall of its overall price level. Clearly, exchange rates thus set are balanced exchange rates.

If one takes into account that conditions do not exist in China for application of the above theory, and that the beginning of the year 1:8.70 exchange rate did not correspond to the purchasing power of the renminbi, we should not feel puzzled about the rise in the renminbi exchange rate from 1:8.70 and inflation. The renminbi 1:8.70 exchange rate possibly underestimated the real purchasing power of the renminbi. The rise in value of the renminbi was a regression toward its real purchasing power, while inflation lowered the real purchasing power of the renminbi by raising prices. The effect of the function of the two was identical.

We must also note that because of the expansion of total domestic demand in 1992 and 1993, before the downward readjustment of the renminbi exchange rate, the rate of inflation in China had already risen, and pressures for a further rise had formed. (It was only because of the time lag effect, that these pressures were not fully expressed.) When a change in the exchange rate readjusted the unfavorable balance of foreign trade (naturally also including the role of the tightened macroeconomic policy domestically beginning in July 1993), and brought about a favorable balance, and conversely bringing about a rise in the renminbi exchange rate, only then was the inflation rate fully manifested. Therefore, a rise in the exchange rate simultaneous with inflation appeared.

One can see from this that eliminating the country's adverse balance of trade is somewhat easier than eliminat-

ing its inflation. Since the advent of reform and opening to the outside world, China has employed the foreign exchange policy tool successfully on several occasions to reduce or eliminate its adverse balance of foreign trade. Examples occurred in 1981, 1984, 1985, and 1989. It was successful this time just as it was several times before. However, although China began a deflationary macroeconomic policy in July 1993, the inflation rate that year was more than 13 percent, and in 1994 it topped 20 percent. The main reason for this striking contrast lies in the complexity of the reasons for the country's inflation during those two years, and it could not be eradicated solely through a deflationary macroeconomic policy. The difference between results from the policy to eradicate the unfavorable balance of trade and the policy to eradicate inflation is also an important reason for the simultaneous rise in the exchange rate and inflation.

Another matter requiring attention is that lowering the renminbi exchange rate, and policies to halt a rise in the renminbi exchange rate at a time when the country was already facing inflation in 1994, served to intensify the country's inflation. Take the effect of devaluation on prices. People only note that devaluation causes a rise in the domestic prices of imports while neglecting another important aspect, namely that the nontrade sector of China's economy is huge. An example is service products and food, which accounts for only a very small portion of foreign trade, and which may be regarded as nontrade sectors. One marked effect of renminbi devaluation is the flow of resources into export and import substitution sectors causing a fall in the supplies of the nontrade sector. Such a fall in the midst of total demand inflation, when trade goods prices are already near international prices, and when nontrade goods prices remain low, is bound to cause a very rapid rise in prices of nontrade goods. This point is attested to by the classification statistics of the 1994 consumer price index as follows: The combined index was 124.1, food and service products exceeding this level at respectively 131.8 and 125.7. It was the rapid increase in prices of these two nontrade goods that elevated the rise in the country's prices.

To avoid a rise in the renminbi exchange rate and a policy of buying up large amounts of U.S. dollars in foreign exchange markets, although the central bank did not completely suppress the rise in the renminbi exchange rate, it did directly increase foreign exchange reserves, and expanded the supply of basic money, thereby countering part of the role of the deflationary macroeconomic policy and directly abetting the simultaneous rise in the exchange rate and inflation. Statistics show that between April and December 1994, China's foreign

exchange reserves increased \$23 billion. This increased the basic money supply by more than 200 billion yuan renminbi, a very large portion of which resulted from central bank purchases of foreign exchange on foreign currency markets. This central bank action was actually the use of an expansionary monetary policy that had as its goal stabilization of the exchange rate. Not only did it render ineffective the role of the exchange rate policy tool for regulating foreign trade imbalances ("goals" and "tools" trading places), but it also clashed with the original intention of setting up foreign exchange markets and allowing exchange rates to float freely, and the goal of curing inflation.

3. Future Trends in China's Internal and External Economic Balance

Both inflation and trade deficits or surpluses are the result of damage to economic balance, and efforts should be made to avoid all of them. In developed market economy countries, internal imbalance takes two main forms: One is insufficient total demand leading to large scale unemployment and economic stagnation. The other is excess demand leading to a rise in the inflation rate. The "stagflation" caused by the occurrence of both at the same time is rare. The main policy tool used to restore internal balance is expansionary or deflationary monetary and fiscal policies. In China, deeprooted institutional reasons account for the enduring and sustained inflationary pressures, and rapid development of a commodity economy may give full expression to inflation that has been suppressed for a long time, and become a normal state. Also, the unevenness of reform, notably the slow development of production element markets, and difficulties in the movement of resources across industry lines, across regional lines, and over time impute a strong structural imbalance character to China's inflation. This is reflected in market shortages of goods simultaneous with sluggish sales, and "lack of positions" in manpower markets simultaneous with "unemployment." In particular, as the percentage of the population reaching working age rises, unemployment pressures will become greater and greater, thereby imbuing the country's economy with a character similar to "stagflation." This shows that elimination of the internal imbalance in the country's economy will require a strong effort. Not only will it require near-term monetary and fiscal policies, but it will also require some solid strides in reform. Sole reliance on deflationary macroeconomic economic policy may not only not reduce inflationary pressures, but may hurt economic growth and increase unemployment.

During a period of differential handling of international balance of payments current accounts and cap-

ital accounts, and strict control over the transnational movement of capital, particularly the outflow of capital, China's external imbalance will be manifested largely in an adverse or favorable balance of foreign trade. During a period of constant reform of the country's trade system and increasingly small room for the selection of trade policies, and when trade activities are increasingly subject to domestic and international market mechanism regulation, maintenance of China's external balance will depend largely on the international competitiveness of the country's products, particularly price competitiveness. This is because, like other developing countries, China's inferiority in nonprice competition is something that cannot be changed in the near term. Therefore, the role of the renminbi exchange rate tool in maintaining external balance is very important, mostly because it can have a direct effect on price competitiveness. The only other thing that can serve as a basis for China's price competitiveness is the relative efficiency of China's enterprises and the enterprises of other countries.

Therefore, it is estimated that once domestic inflation and the rise in prices of key elements, such as manpower, offset the role of a downward adjustment of the renminbi exchange rate, an adverse balance of trade will occur, and it will generate pressure to lower the renminbi exchange rate.

China's goal in pursuing market reform of the foreign exchange system is to turnover the task of regulating foreign exchange market imbalance to the foreign exchange market, allowing the renminbi to float freely. Therefore, whenever a favorable balance of trade brings about a rise in the renminbi market exchange rate, the government should abandon the policy of purchasing foreign exchange on foreign exchange markets, and forcing a fall in the renminbi exchange rate. An earlier analysis in this article shows that lowering the renminbi exchange rate during inflation is fraught with dangers; therefore, we should not pin expectations for improving international competitiveness entirely on lowering the exchange rate in order to avoid the economy's falling into a vicious cycle of currency devaluation, renminbi devaluation, more inflation and more renminbi devaluation. The ever intensifying international competitive pressure requires even more that we found the competitiveness of China's products on improving the efficiency of the country's enterprises; and this requires speeding up enterprise reform to increase competition among enterprises within the country.

Internal and external economic balance is usually not "black or white" or "invisible." Our country's goal should be to strive to narrow both kinds of balance to achieve two kinds of balance at the same time. An exception is when imbalance is extremely severe, and

one form of balance has to be destroyed in order to restore balance; however, every effort must be made not to use methods that damage internal balance in restoring external balance. This is because China is a large country in which domestic economic activity is paramount. This requires that attention be given to selecting the proper policy tools in the process of eliminating imbalances. For example, during simultaneous inflation and an adverse balance of trade (the situation that the country faced in early 1994 before devaluation of the renminbi), devaluation or central bank purchases of foreign exchange on foreign exchange markets, and dumping renminbi should not be employed, i.e. lowering the renminbi exchange rate in order to eliminate the unfavorable balance of trade. This should only be done when the adverse balance is extremely large and the harm extremely serious. The correct policy should be to hasten enterprise, monetary, and fiscal system reform simultaneous with the adoption of a deflationary fiscal and monetary policy, and increasing investment, debt, and budget curbs. This is both directly decreasing inflation, and lowering imports and the adverse balance of trade by reducing domestic intake. When unemployment and an adverse balance of foreign trade exist simultaneously, expansionary fiscal and monetary policies should not be used to eliminate unemployment. Usually, this intensifies the foreign trade deficit. The correct method is to lower the exchange rate to stimulate exports and increase employment, while simultaneously shifting to the purchase of domestic products to reduce imports.

Foreign Trade & Investment

Imports, Exports Expected To Exceed 1994 Level

OW0808113795 Beijing XINHUA in English
0730 GMT 8 Aug 95

[FBIS Transcribed Text] Beijing, August 8 (XINHUA) — China's total import and export volume this year is expected to exceed the figure of last year, Chinese Vice-President Rong Yiren said here today.

Rong said this when meeting with Mike R. Bowlin, chairman and chief executive officer of the Atlantic Richfield Company (ARCO) of the United States.

China's total import and export volume hit a record high of 236.7 billion U.S. dollars last year and in the first half of this year, the half-year figure already reached 126.4 billion U.S. dollars, a rise of some 30 percent over the same period last year.

During the meeting, Rong said that as a large oil company in the United States, the Atlantic Richfield Company, one of the foreign companies which enjoyed long-term cooperation with China, has done a lot

to promote Sino-U.S. relations, trade and economic cooperation in particular, between the two countries.

Bowlin told the Chinese Vice-President that his company, which is fully confident of the cooperation with its Chinese partners, will expand its business in China.

Notice Lists Requirements for Patent Applications
HK0908065195 Beijing CHINA DAILY in English
8 Aug 95 p 10

["Notice to Applicants for Patent Protection"]

[FBIS Transcribed Text] China's patent law protects three kinds of patents: invention patents, practical new-type patents and exterior design patents.

The invention patents and practical new-type patents should be new and original, creative and practical.

Exterior design patents should differ from exterior designs published in publications at home and abroad or publicly used domestically before the date when the patent applications are made.

Items that are invalid for patent rights include:

1. Scientific discoveries
2. Rules and methods of intelligence activities
3. Diagnosis and treatment of diseases
4. Animal and plant species
5. Substances obtained from the method of atomic nucleus alterations

According to the Paris Convention, or the principle of mutual benefit, priority can be given to applicants who apply for inventions or practical new-type patents again in China within 12 months after first applying abroad. Also, priority can be given to those who apply for exterior design patent rights in China within six months after they have first applied abroad.

Priority can be given to applicants who apply to the Patent Office for the same subjects within 12 months of their first application for invention or practical new-type patents.

Invention patent rights are valid for 20 years while practical new-type patents and exterior design patents are valid for 10 years. Both are calculated from the date when applications are made. Patentees must begin to pay fees the same year when they are given the patent rights and then they must pay annual fees at least one month before the next year begins.

Documents needed for patent applications include:

1. Demanded document
 - a. The kind of patents applied for

b. Names, addresses and nationalities of the applicant and inventor

c. Date, application number and name of the country in which application has been made if priority is asked for

d. Other requirements on the application made by the applicant

2. Power of attorney — the original document with signature of the applicant

3. Patent documents that must be offered

a. Applicants for invention patents should offer technical manuals, summary of the manuals and a booklet on demands for rights and attached figures.

b. Applicants for practical new-type patents should offer technical manuals, summary of the manuals and a booklet on demands for rights and attached figures.

c. Applicants for an exterior design patent must offer drawings or pictures of their exterior designs (two copies for each design), giving the names of the products the exterior designs are used for.

Urban, Rural Individual Savings Deposits Soar

OW0908084995 Beijing XINHUA in English
0831 GMT 9 Aug 95

[FBIS Transcribed Text] Beijing, August 9 (XINHUA) — Individual savings deposits in both urban and rural areas topped 2.3 trillion yuan in the first quarter, a 38.5 percent increase from the same period last year, and are expected to surge to three trillion yuan by the end of 1995.

These People's Bank of China statistics were reported in today's Guangming Daily which said that in 1994, deposits already stood at more than 2.1 trillion yuan, a rise of 41.54 percent over 1993.

The increase in the amount of deposits allows China to mainly rely on domestic capital instead of foreign funds to finance its large-scale modernization, the newspaper noted.

But, when the amount of huge deposits is compared with an inflation rate which is much higher than the interest rate, it means that it is difficult for commercial banks to be very efficient financially.

The central bank estimates that deposit subsidies to offset inflation will probably reach 20 billion yuan this year.

In giving reasons for the increase in deposits, the newspaper said that discretionary income has grown a great deal in the past few years.

The first half of the year, for example, has seen bank employees' salaries rise by 25.8 percent over the same period in 1994, and purchases of agricultural and

sideline products jumping by 31 percent, and rural and urban individual deposits increasing by 89.3 billion yuan as a result.

The newspaper also cited the general lack of awareness about investment opportunities, the relatively high risk of the securities market, the limited number of investment channels, and the deposit subsidy as reasons why people view deposits as a safe and convenient way of increasing their assets.

People also place more importance on savings because reforms in medical care, housing, education, and pensions have gradually increased, the newspaper said.

The growth in amount of deposits reflects a more mature outlook and greater psychological stability, and that people are making more rational consumer choices, even with high prices, the newspaper said.

However, it pointed out that some individual deposits are, in fact, public money. An investigation in east China's Shandong, Jiangsu, and Zhejiang Provinces revealed that as much as 18.7 percent of individual deposits come from public funds, a situation that is especially acute in urban areas and enterprises.

First Commercial Management Company Established

OW0808144295 Beijing XINHUA in English
1337 GMT 8 Aug 95

[FBIS Transcribed Text] Beijing, August 8 (XINHUA) — The largest stock company in Beijing, the Vantone Commercial Co. Ltd, today signed an agreement with the U.S.-based Global Development Management Company to set up China's first professional commercial management company.

According to the agreement, the joint venture will take charge of the operation of a shopping center — the Vantone New World — which will cover a retail area of 37,000 sq m in the west of the city.

Ray Meals, vice-president of the Global Development Management Company, said that the company's investment in China has been catalyzed by the latest statistics that some 2,200 shopping centers will open in Asia in the coming five years, most of them in China.

He told a press conference here today that China's retail sector so far is in a transition period from the traditional concept of the department store to that of the shopping center made up of different, smaller shops. There will be a fast growth of the domestic retail sector following the transition, which is proved by the U.S. experience in the past few decades.

"So this is the right time for U.S. capital to enter the huge market of China," he said.

Analysts here point out that the flow of foreign investment toward China's commercial management sector will be further accelerated by a package of open-door policies announced by the Internal Trade Ministry at the beginning of this year, including the test establishment of Sino-foreign and co-operative jointly funded retail companies and chain shops in six big cities and five special economic zones. And Beijing is among the list of the pilot cities.

The Vantone Commercial Management Co. Ltd has a registered capital of one million U.S. dollars, and the U.S. partner holds 30 percent of the shares.

As the first step into the Chinese market, the Global Commercial Management Company will send experienced professionals to conduct all-round management of the shopping center's counter leasing, sales and other routine operations.

The shopping center will opened May 1, 1996.

Shanghai Growth Linked To Foreign Investment

OW0808114695 *Beijing XINHUA in English*
0800 GMT 8 Aug 95

[FBIS Transcribed Text] Shanghai, August 8 (XINHUA) — About one third of the investment in fixed assets in Shanghai comes from overseas investors during the past few years.

This largest city in China has attracted a total contracted volume of investment reaching 28.5 billion U.S. dollars which have come from business people in 66 countries and regions. Statistics showed that over 16 billion U.S. dollars of overseas investment have already been put to use.

Such investment has played a key role in financing the adjustment of the city's industrial structures, developing pillar and traditional industries, officials said.

Shanghai also adopted advanced technology, management expertise and marketing channels brought about alongside the inflow of overseas investment.

Overseas investment has helped the city enhance its pillar industries of automobiles, communications tools, power generating equipment, petro-chemicals, iron and steel and household electric appliances.

The output value produced by the six pillar industries made up 45 percent of the total industrial output in Shanghai. More than 55 percent of all tax revenues were collected from the six industries.

Traditional industries, such as textiles, machinery and electronics, were more competitive after their upgrading by using foreign advanced technology, equipment and management expertise.

Shanghai also made efforts to introduce foreign investment in the service industry.

The city's service sector now uses more than half of the foreign investment in the city.

Overseas investment in the fields of finance, real estate, commerce, culture, recreation, information consultancy, food and drinks, designing, decoration, education and public health has helped Shanghai to lift itself into an international metropolis.

Agriculture

Wen Jiabao Inspects Jilin Agriculture

OW0808143695 *Beijing XINHUA Domestic Service*
in Chinese 0829 GMT 30 Jul 95

[By JILIN RIBAO correspondent Yuan Huanzhang (5913 3562 4545) and XINHUA correspondent Zhu Haili (2612 3189 7812)]

[FBIS Translated Text] Changchun, 30 Jul (XINHUA) — While conducting an investigative survey recently in Jilin's major grain-producing counties, Wen Jiabao, alternate member of the CPC Central Committee Political Bureau and member of the CPC Central Committee Secretariat, pointed out: As major grain-producing regions are important bases for China's agricultural product supply, it is necessary to adopt important measures to step up agriculture's infrastructure construction and to raise agriculture's comprehensive production capability, so as to scale new heights in grain production at the end of this century.

From 26 to 30 July, Wen Jiabao visited Jilin's major grain-producing regions, including Li Shu County, Gongchuling County, Nongan County, Dehui County, and Yushu County, to inspect grain crops' growing conditions, to gain understanding of the grain production situation, and to exchange views with cadres and the masses on ways to strengthen commodity grain base construction and on working out measures to develop major grain-producing regions' economies.

Wen Jiabao pointed out that China's agriculture and rural economy are faced with the two major strategic tasks of ensuring farm products' effective supply and of increasing farmers' incomes. To realize the agricultural development goals, there should be a comprehensive analysis of China's resource potentials and of material and technology conditions in China and the mapping out

of long-term, stable, and consistent plans and policies for grain production. First, there is a need to ensure the implementation of major measures on increasing grain production, to increase investment in farming, to step up agriculture's infrastructure construction centering on water conservancy works, to raise output from low and medium-yield farmland, and to do a good job in comprehensive farming development so as to strengthen the capability to resist natural disasters. Second, efforts should be made to build up major grain-producing regions and to construct commodity grain bases. Effective measures need to be devised to raise agriculture's comprehensive production capability. It is necessary to gradually set up an agricultural base system that has a rational setup, wide varieties of farm products, a solid foundation, and that can ensure the steady supply of commodity grain to the state. Third, breakthroughs should be made in key farming technology with an emphasis on developing new crop strains. It is necessary to concentrate manpower; to tackle major scientific projects; to develop new grains that are strong in adapting to the environment, in resisting plant diseases and insect pests, and in resisting harsh weather; to raise unit yield; and to increase the overall output.

Jilin, one of China's major grain-producing provinces, occupies a major position in China's farm production. Since China adopted the policy of reform and opening up, Jilin has achieved rapid grain production development and continued to scale new heights in farm production. In talking with cadres and the masses, Wen Jiabao stressed the need for major grain-producing regions not to slacken efforts in grain production, to aggressively diversify, to develop village and township enterprises, and to comprehensively revitalize the rural economy. First, it is necessary to maintain stable and high grain production. As Jilin enjoys an advantage in grain production, it should attach special importance to and enhance grain production. It is necessary to formulate measures to suit local conditions, to readjust crop-planting structure, to develop high-yield crops such as maize, to promote the growing of excellent varieties, to adopt scientific planting methods, and to scale new heights in grain production. Second, animal husbandry should be greatly promoted. Animal husbandry is a leading sector that helps the change in the use of grain and increases its value. It is also an important way to increase farmers' incomes. To develop animal husbandry, it is necessary to work out measures that are suited to local conditions and to adopt multiple approaches to engage in large-scale operations. There is a need to stress the improvement of the quality of livestock and to do a good job in acquiring animal feed supply, in animal immunization, and in sales. Third, there should be an aggressive development of the processing industry for farm sideline products with an

emphasis on grain and dairy products. This is another important way to bring about the change in the use of grain and to increase its value. This is also a correct direction for the development of village and township enterprises. It is necessary to develop marketable products; to rely on science and technology; to engage in large scale deep-processing; to constantly raise product quality and grade; to raise products' competitiveness; to bring about trade, industry, and farming integration; to integrate the processing of farm sideline products with farmers' production and operation; and to mobilize all forces to increase farmers' incomes.

As crop growing is very good, Jilin can expect a bumper harvest this year. During the inspection, Wen Jiabao stressed that autumn grain will be a main instrument in reaping this year's bumper harvest. He urged all levels of cadres and farmers in autumn grain growing areas to make good preparations for fighting natural disasters and to reap a bumper harvest, to persevere in doing good work in all areas, to step up farm field management, to implement measures for increasing production, and to strive for reaping a good harvest this year.

Zhang Dejiang, secretary of the Jilin CPC Committee; Wang Yunkun, acting governor of Jilin; and Wang Jinshan, deputy secretary of the Jilin CPC committee, were among those who conducted the investigative survey.

Agricultural Technology To Be Accelerated

*OW0808132995 Beijing XINHUA in English
1243 GMT 8 Aug 95*

[FBIS Transcribed Text] Beijing, August 8 (XINHUA) — China will accelerate its pace of agricultural technological development in the next few years to ensure the fulfillment of the output increase target by the end of this century.

China plans to increase its output of grain by 50 billion kg, cotton by 50,000 tons, meat by 10 million tons and aquatic products by 10 million tons by the year 2000.

At the Conference on Agricultural Technology which opened here today, Chinese Minister of Agriculture Liu Jiang said that agricultural technology plays a key role in the increase of agricultural output.

China thus has set an ambitious target for its agricultural technological progress. That is, Liu said, to put 40 to 50 percent of scientific findings into production by 2000. The present transfer ratio is some 30 percent.

By 2000, 50 percent of China's agricultural success will be attributed to scientific and technological progress. Now the figure is 30 percent, according to the minister.

Meanwhile, breakthroughs are expected in research into new varieties of plants and animals, agricultural-product processing and agricultural ecological environment protection.

Agricultural technology plays an important role in promoting overall agricultural productivity, Liu said.

Hybrid rice, for example, was planted in some 160 million ha in China in the past ten years, which led to an output increase of 240 billion kg.

He admitted that insufficient technological input, irrational technological structure and lack of skilled personnel have hampered the development of agricultural technology.

To help solve the problem, China has made a detailed plan for the next five years, in which the country will introduce some 1,000 agricultural technological findings.

*National Procurement Figures Reported

95CE0531M Beijing JINGJI RIBAO in Chinese
27 Jul 95 p 1

[FBIS Summary] As of 15 July, China had procured 15.58 billion kilograms of wheat, fulfilling 68.1 percent of the procurement plan, and 2,255,000 tons of rapeseeds, an increase of 813,000 tons over the same period in 1994, and fulfilled 71.6 percent of the plan. From January to May, the commercial system procured 1,036,000 tons of hog and pork, a 21.4 percent increase over the same period in 1994.

*Rising Grain Price Problems Examined

95CE0521A Beijing ZHONGGUO NONGCUN JINGJI [CHINA'S RURAL ECONOMY] in Chinese May 95
No 5, pp 16-21

[Article by Cui Xiaoli (1508 2556 7812) and Yu Baoping (0060 0202 1627), Grain Research Team, Rural Department, Development Research Center, State Council: "A Rising Trend in Prices: the Nub of China's Grain Problem in the Near and Intermediate Term"]

[FBIS Translated Text] 1. Several Explanations of the Rise in Grain Prices

The tremendous rise in grain prices during the past two years has attracted the concern of people in all walks of life. What are the reasons for this rise? The experts concerned provide the following several explanations:

First the great upward adjustment of prices of the agricultural means of production is the main reason for the rise in grain prices. The main basis for this is the rapid rise in the price of chemical fertilizer during the past two years. Take urea, for example. Prior to

April 1992, the retail price of urea was 538 yuan (the parity price) per ton. On 1 October 1992, the State Council raised the price of urea, with the retail price reaching 660 yuan. In March 1993, the State Council announced a change from hidden subsidies to open subsidies, quantity retention, and the deregulation of prices. The State Price Administration set the retail ceiling price at 1,200 yuan. Owing to a rise in the ex-factory price, in March 1994, the price of urea rose to 1,300 yuan per ton. In July, the government raised prices once again, setting a ceiling price of 1,400 yuan per ton for urea. However, as of the end of 1994, many places had already exceeded this price. It has been estimated that as a result of the 1993 chemical fertilizer price change, the peasants paid at least 6.5 billion yuan more, and as a result of the 1994 exchange rate merger, the peasants spent 3.6 million yuan more for imported fertilizer, the two adding up to more than 10 billion yuan. At the end of May 1994, the State Council issued Document 32, which adjusted farm product procurement and sale prices. Prices of all agricultural means of production other than diesel fuel were deregulated. The State Statistical Commission estimates that readjustment of means of production prices increased by .02 yuan per jin the cost of grain production. For an output of 900 billion jin, this comes to 18 billion yuan. At the end of July, the retail price of diesel fuel was deregulated sending the price from slightly more than 400 yuan to slightly more than 1,000 yuan per ton. The Ministry of Agriculture estimates that this alone required the peasants to pay an additional 13 billion yuan. In short, the peasants had to pay more than 30 billion yuan more in 1994 because of increases in prices of agricultural means of production. Furthermore, grain procurement prices in the wake of the price readjustments show an average 0.15 yuan per jin rise over 1993, prices rising 42.9 percent, which is far higher than during the 1979 major price readjustment. Thanks to the rise in grain procurement prices, peasant income increased approximately 45 million yuan. After deducting for the rise in prices of agricultural means of production, however, peasant income increased approximately 15 billion yuan, an increase of approximately 70 yuan per peasant household. This shows the effect of the readjustment of the overall price level.

Second, the tremendous decrease in paddy output during 1993 was the main reason for the rise in grain prices. The basis for this is: In 1993, paddy output decreased while output of all other grains increased. Paddy output, which has always run between 42.1 and 44.5 percent of China's total grain output, fell below 40 percent for the first time to 38.9 percent. In 1993, China's population was 13.6 percent larger than in 1984, yet paddy output was less than in 1984. Consequently, per capita output

also declined to less than 150 kilograms for the first time. The rise in the market price of paddy resulting from the decline in output was accompanied by a fairly large increase in grain prices throughout the country. This kind of situation has occurred several times during the past decade. In 1985, paddy output fell 5.4 percent, the grain price index rising 10.9 percent that year. In 1988, paddy output fell 3.0 percent. In that year and the following year, the grain price index rose respectively 14.1 and 21.3 percent. In 1991, paddy output fell 2.9 percent, the grain price index again rising 8.6 and 24.3 percent during the same year and the following year.

In addition, the southeastern coastal region of the country, which is a main rice consuming area, has seen high speed economic development, rapid urbanization, and a substantial decline in the paddy growing area during the past decade. Furthermore, tens of million peasants have surged into this region each year. Thus, demand for rice has increased at the same time that the supply has decreased, further exacerbating the problem.

Third, the simultaneous inauguration of several major fiscal, monetary, taxation, and exchange rate reform measures in 1994 produced a simultaneous rise in prices, costs, and apprehensions about future rises. Take the means of agricultural production, for example. According to information from units concerned with the agricultural means of production, after eliminating government subsidies and merging foreign exchange rates, all imports of chemical fertilizer at the parity foreign exchange rate were changed to the market foreign exchange swap rate, i.e., from 5.70 yuan to the dollar to 8.70 yuan to the dollar. For example, the former \$136 CIF price of urea converted at the parity foreign exchange was 788 yuan. After adding various costs, the import cost was approximately 975 yuan. Using the former government subsidy method, the chemical fertilizer that foreign trade units provided agricultural means of production units was at the domestic ex-factory price, namely 520 yuan per ton. Today, however, at a market swap rate of 8.70 yuan to the dollar, the import price of urea is between 1,190 and 1,200 yuan per ton. Thus, cancellation of the government subsidy and merger of exchange rates has caused a more than 800 yuan per ton rise in the price of urea. If fees for central government agricultural means of production unit shipment and the fees of wholesalers are added in, the price of urea becomes more than 1,400 yuan per ton before it reaches the hands of producers.

Fourth, the rise in grain prices is a normal rebound following the steady widening of the price scissors between industrial and agricultural products of the past several years. Statistics show a rapid narrowing of the 2.4 to 1 ratio between city and countryside income

around 1978 to 1.7 to 1 in 1984, but a further widening to 2.54 to 1 in 1993. Thus, there seems to be much unfairness in the comparative prices of industrial and agricultural goods.

Although some questionable points exist in the explanations given above, they do provide a fairly complete and accurate overall description of the reasons for the rise in grain prices during 1993 and 1994. Nevertheless, these explanations are only immediate ones. If the problem were only an immediate or short-term one, it could be easily solved through readjustments. The trouble is some difficult structural problems. One marked problem with grain in China is the price rise trend, and the tendency for acceleration of price rises. In the short period of 10 years, grain procurement prices have risen 1.5 fold, and sale prices have doubled. What are the reasons?

2. The Grain Price Problem: The "Huang He Phenomenon" in China's Economic Domain

The Huang He and its high silt content are world renowned. At the same time, the Huang He, particularly its lower reaches, is world renowned as a river suspended above the surrounding land. The Huang He phenomenon refers to the steady rise in the river bed due to silting, which forces a steady concomitant rise in the protective dikes along both its shores.

First, China's grain problem resembles China's geographic Huang He phenomenon. China's agricultural production is founded on more than 200 million peasant households, each of which tills an average of no more than six or seven mu of land, which is further subdivided into more than ten or more plots. The amount of commodity grain that each household can provide is extremely limited, usually no more than 30 percent, the peasants themselves consuming more than 70 percent. Furthermore, because of the social system, the land is divided up per capita as social security for all the peasants. This means that all of the land serves a social welfare purpose. Any system exacts a cost. The land serves a social welfare purpose at the cost of economic returns. The cost is sacrificing the speed of industrialization and urbanization. Ultimately, this cost translates into farm product prices.

In order to maintain the land welfare system, we have to provide small scale peasant household farming with protection in the form of a system, technology, and even money. In the technology field, for example, we invest an increasing amount in technology that takes the place of land, but even though the technology for replacing manpower is very mature, we invest only a small amount or we sacrifice the benefits of scale after making an investment.

Second, China's grain production has turned to greater reliance on the second land. By the second land is meant investment in complete modern technological substitutes for land, a representative example being chemical fertilizer. A conservative estimate based on research reports shows an output of more than 500 billion jin of grain from this second land. This is 55 percent of total grain output. Approximately 300 billion jin of this 500 billion jin of grain is to satisfy society's commodity grain needs. The remaining 200 billion jin is to satisfy the peasants' own grain consumption needs. This is approximately 30 percent of total peasant demand. This structural change means that China's peasants today only rely on land in the traditional, natural sense, i.e., the first land can no longer support their existence, and that they depend, to a very large extent, on mastery of the second land. This means that they must either get a piece of the second land each year without paying for it, or pass along, in the sale price of their products, the cost of the second land that they get.

Third, China's cultivated land resources are extremely limited. China is a large country in terms of population and land area, but a small country in terms of cultivated land. It is on this score that China encounters problems similar to those of Japan and South Korea, such as making major strides toward the second land, and taking a high price agriculture road. This is becoming increasingly evident. This reality must be recognized if China is to have a grain surplus at some future time. However, it must also be recognized that a Chinese grain surplus will not become the main stream. This situation differs from the grain fluctuations on the international market that several major grain exporting countries cause. China's resources limitations are just too great.

We can make a through analysis of the rising trend in China's grain prices based on an understanding of these three major characteristics of Chinese agriculture today.

The land equalization system must pay the costs associated with the system. The large land equalization system of the people's commune era both lost the benefits derived from the organization of resources of family farming and, because markets were closed, also lost tremendous returns from differential land rent. This was both the basic reason that farm product costs rose and that the peasants were universally destitute at that time. Contracting to individual households revived the dominant position of family farming for a great lowering of the cost of organizing resources. At the same time, thanks to the opening of markets, benefits from differential land rent increased tremendously. This was the basic reason that the peasants became prosperous following system reform. Nevertheless, the small scale land equalization system is, after all, a kind of universal welfare system

that stems from the need for everyone to have food to eat. In addition, individual family farming on excessively small plots is bound to produce too much waste as a result of the expense of the overly high percentage of animate labor and population, and the uneconomic scale of inanimate labor. Here also, the possibility of losses from differential land rent exists. This is to say that too high a percentage of farm product costs are for the payment of per capita expenses, and these payments are made at the sacrifice of benefits derived from the location of land and the benefits of scale.

According to Marxist land theory, the price of agricultural products is determined by the tough limitations of production costs that stem from differences in production conditions, or differences in land and production conditions. China's present circumstances suggest that the excessively small scale of farming under the land equalization system is the decisive reason for the country's farm product prices. By extension, the uneconomic scale of expenses that stems from excessively small scale farming are actually welfare expenses of the land equalization system, all of which are hidden in the prices of farm products.

Just how large are these expenses?

A prerequisite for appropriate scale of operations is the substitution of technology for labor, meaning mostly farm machinery and electric power. As of 1992, China had 303 million kilowatt's of farm machinery power, nearly 200 million horsepower of which was tractor power. According to estimates about the economic employment of farm machinery, between 0.01 and 0.05 horsepower per mu is sufficient. Figured at a somewhat high 0.05 horsepower, only 100 million horsepower is required, at most, for China's 2 billion mu of cultivated land. Furthermore, a substantial portion of the country's land is not suitable for the use of farm machinery. This means that the main limitation on farming at an appropriate scale over a wide area in China today is not insufficient substitution of technology for manpower, but the land equalization system. In order to increase income, the main investment of small peasants under the land equalization system is for technology that substitutes for land—things such as chemical fertilizer, agricultural pesticides, and superior livestock breeds and crop varieties, etc. In small scale farming, the percentage of these two kinds of substitute technology is lopsided. A representative sampling conducted in north China showed substitution of technology for land as accounting for approximately 60 percent of costs, and substitution of technology for manpower accounting for approximately 15 percent. The other costs were for animate labor. This means that substitution of

technology for land was approximately four times the substitution of technology for manpower.

At the end of 1993, China's rural population totaled 850 million, 444.34 million of whom were employed, hence one working person for every 1.9 persons supported. Of those employed, 340.5 million, or 76.6 percent, work in farming, forestry, sideline occupations, or the fishing industry. Households number approximately 229 million, with each household having only 6.2 mu of cultivated land, which is 30 percent of the average 1.37 hectares per peasant household of Japan, and 34 percent of the 1.21 hectares per peasant household of South Korea.

Thus, we can make the following calculations:

(A) At the present scale, each household has only 5 mu of grain fields. If 15 people work each mu of land, a total of 75 people work in grain fields. If miscellaneous labor is added in, a household does not use half its manpower for grain farming. For the country as a whole, no more than 100 million people are engaged in grain farming. By comparison with the 340 million people engaged in agriculture of one kind or another today, after subtracting the approximately 100 million engaged in grain farming, and the approximately 100 million not engaged in grain farming, 140 million remain. By multiplying these 140 million by the 1.9 coefficient for people being supported, the excess rural population is at least in excess of 266 million. Figuring a minimum living expense of 300 yuan per capita for this surplus population, the total bill comes to 79.8 billion yuan.

(B) Estimate of the actual hidden excess population based on the scale of operations that the level of technology can support: Studies show that with no decline in output at the present per household scale of operations, technically it is possible for each household to farm between 30 and 50 mu. Figured at this rate, rural excess manpower nationwide is more than 200 million, and the population surplus is nearly 500 million. The total living expenses for this number of people (still figured at 300 yuan per capita per year) exceeds 100 billion yuan.

2. Increase in the agricultural population dependent on the second land will force a steady rise in grain prices. Take, for example, chemical fertilizer as a representative technology substituting for land. For just how large a percentage of total grain output is it responsible? This may be determined from the analysis provided below.

(A) Reports from government agricultural science units show that in the early 1980s, chemical fertilizer already accounted for 44 percent of all the nutrients required for grain farming, and that the use of chemical fertilizer at that time was equivalent to approximately half the 31.501 million tons (pure fertilizer containing no extenders) used in 1993.

(B) Government agricultural science departments estimate a 1 to 10.37 ratio between each per unit input of chemical fertilizer and output of grain. At this rate, output attributable to chemical fertilizer was more than 600 billion jin in 1993.

(C) China's highest grain output year prior to liberation was 1936 when output broke the 30 billion jin mark. After a three year revival period following liberation, output reached 32.78 billion jin. After another 15 years, total grain output broke the 400 billion jin mark in 1966 reaching 428 billion jin. However, by this time, we were already inputting a substantial amount of industry-produced agricultural means of production, such as 13.303 million tons of chemical fertilizer, 45 times the 1952 amount; 775,000 tons of chemical pesticides, 51.7 times the 1952 amount; 61 times the amount of farm machinery power used in 1952; and 3.710 billion kilowatt hours of electricity used in agriculture, 745.2 times the 1952 amount. Therefore, sole reliance on traditional agricultural techniques, which is to say on the output of the first land, means that 400 billion jin may be said to be the outer limit.

(D) Following liberation, a positive correlation existed between grain output increases and the application of chemical fertilizer (See Table 1). In addition, according to a Ministry of Agriculture research report on trends in the use of agricultural means of production, in 1988 world use of chemical fertilizer averaged 98.7 kilograms per hectare. China used 198.1 kilograms per hectare, double the average. In 1998, the United States applied 93.6 kilograms per hectare, Japan applied 345.9 kilograms per hectare, and India applied 65.3 kilograms per hectare. In 1990, Chinese application of chemical fertilizer increased to 228.3 kilograms per hectare, and in 1992 it increased again, this time to 265 kilograms. World fertilizer application increased 6.95 percent between 1985 and 1990, but in China it increased 41 percent. During the same period, it increased only 3.35 percent in the United States, and 9.59 percent in Japan.

Correlation Between Chemical Fertilizer Application and Grain Output

Year	Chemical Fertilizer Use (10,000 tons, 100 percent)	Gross Grain Output (10,000 tons)	Year	Chemical Fertilizer Use (10,000 tons, 100 percent)	Gross Grain Output (10,000 tons)
1952	7.8	16,392	1984	1,739.8	40,731
1957	37.3	19,505	1985	1,775.8	37,911
1962	63.0	16,000	1986	1,930.6	39,151
1965	194.2	19,453	1987	1,999.7	40,298
1978	884.0	30,477	1988	2,141.5	39,408
1979	1,086.3	33,212	1989	2,357.1	40,755
1980	1,269	32,056	1990	2,590.3	44,624
1981	1,334.9	32,502	1991	2,805.1	43,529
1982	1,513.4	35,450	1992	2,930.2	44,266
1983	1,659.8	38,728	1993	3,150.1	45,644

Clearly, not only is the extent to which the country's grain output relies on the second kind of land increasing, but the trend is accelerating.

To summarize the points made above, it is conservatively estimated that total grain output from the second land is currently no lower than 500 billion jin. Of this 500 billion jin, the peasants themselves consume approximately 200 billion jin. Since they consume this 200 billion jin themselves, it cannot be used as a commodity to be exchanged for money; therefore, it can only be either used without recompense, or a portion sold. The following simple explanation for this is provided here:

If an input of 10 units of means of agricultural production yields an output of 10 units of grain, the peasants can obtain 10 units of agricultural means of production for 10 units of grain, and both are at an equal price. The fact is, however, that the peasants can only sell five units of every 10 units of grain they produce. They consume the other five units. Therefore, they have to be able to exchange five units of grain for 10 units of agricultural means of production; i.e., get twice the price for their grain, otherwise, balance becomes impossible.

Two hundred billion jin of grain was approximately 22 percent of gross output of grain in 1993. To

command somewhat more than 20 billion yuan worth of agricultural means of production, about .07 yuan per jin of commodity grain was needed. In 1993, the grain procurement price averaged 0.35 yuan per jin. This means that about 20 percent of it was paid for the second kind of land for peasant use.

Some current survey reports note that following a rise in the prices of agricultural means of production, the peasant may reduce their purchases of agricultural means of production. Such a situation may occur overall, but it is regions in which the commodity grain rate is fairly high or nonagricultural income is fairly high that are able to reduce purchases of agricultural means of production. Places having a low commodity rate dare not cut back agricultural means of production purchases, the reason being that a very large portion of the means of production that they purchase are to satisfy their own consumption needs. Also, these places are least able to bear a rise in prices of agricultural means of production.

Actually, the correlation between grain and chemical fertilizer prices suggests that the relative price of chemical fertilizer is not as high as it was in 1952.

Table 2. Chemical Fertilizer-Grain Price Ratios in China (Units: Ton)

1952	370.00 yuan	138.40 yuan	2.67:1
1991	877.40 yuan	677.30 yuan	1.3:1

Comparison of the data makes it plain that at the normal 1952 market price, for every ton of chemical fertilizer sold the peasants, 2.67 tons of grain could be purchased from the peasants. In 1991, however, for every ton of chemical fertilizer sold, only 1.3 tons of grain could be purchased. Using the correlation shown in the above table, if an income of four units of grain could be obtained from the use of one unit of chemical fertilizer (physical quantity) in 1952, then after buying one unit of chemical fertilizer and subtracting the 2.67 yuan per unit cost of the fertilizer from the amount received for selling the grain, the remaining 1.33 units of grain became the peasant's net income. In 1991, if three units of grain could be obtained from the use of one unit of chemical fertilizer (physical quantity), after subtracting the cost of chemical fertilizer from the amount received for the sale of the grain, the peasant should have a net income of 1.7 units of grain. No wonder that when the grain-chemical fertilizer ratio during the 1950s was far from being as advantageous as during the 1990s from the peasant's point of view, the peasants increased their income from farming; but in the 1990s, when the grain-chemical fertilizer price ratio is much better than it was in the 1950s, the peasants do not increase their income, but even lose money. This also explains why, despite a rise in their overall income, the peasants have less ability to pay taxes. Currently, the State Council sets peasant taxes at 5 percent, in addition to which are various local assessments, which surveys show to be generally no more than 10 percent. In the 1950s, however, the peasants paid approximately 15 percent in open taxes. Following the agricultural tax reform of 1958, the State Council set the agricultural tax at 15.5 percent, exclusive of local government taxes and assessments. However, this was the period (meaning before 1958) when the country's agriculture developed best and most vigorously.

On the basis of the above analysis, we believe that a grain price rise trend resulting from market imbalance exists in China, and as marginal benefits from the output of the second land decrease, that trend shows signs of accelerating. The small scale land equalization system and the excessive population are the main reasons for this trend. These two elements steadily raise the grain "river bed" forcing a steady rise in the price "river dike." Thus, the grain problem becomes a "Huang He" that is

higher than the surrounding land in China's economic domain.

Therefore, we conclude that China has entered a stage in which industry must assist agriculture. The grim policy alternatives are whether to focus policies on the "river dike" or on the "river bed". The choice is between stop gap measures to prevent a deluge, or tackling the roots of the problem.

3. Some Views of a Policy Nature

(1) Because of the serious problems with grain in China, future policy choices must address both the symptoms and the root causes, constantly leaning in the direction of solving the problem at its roots. Past price increase and price protection measures treated the symptoms. They must be used in a controlled way, but at the same time an overall macroeconomic approach of curing the problem at its roots must be followed. Take the scale of grain farming, for example, the population shift problem, the problem of building small cities and towns, the township and town enterprise problem, the urbanization and industrialization problem, and the commodity grain base building problem, etc. These problems must be linked together; they must be considered in terms of the national economy as a whole. China's grain problem has ceased to be just a grain problem, nor is it just an agricultural problem. It has escalated into a problem that affects everything.

(2) Protection of the interests of the grain growing peasants should be built on a national macroeconomic strategy. It should be in keeping with modern economic development. It should not just play a role to protect present interests, or to protect the long-term existence of super small scale farming and the land welfare system. This is also the basic starting point for socialized service to agriculture.

(3) Building more and investing more in commodity grain bases is also not just to get greater grain output. It is also for the purpose of working out an organizational model and a scale for China's grain farming. It is for the purpose of exploring avenues from transforming traditional agriculture into modern agriculture, and for exploring how to go about industrialization and urbanization under China's conditions. Therefore, in construction and investment, it is necessary to spell out,

first of all, what is to be supported, what is to be developed, and what is to be limited. There can be no wasting money, or spending it on projects for which the goals of policy choices differ.

(4) Today's grain fixed procurement prices and urban sale prices, particularly protection prices and ceiling prices, are uniformly set by the central government. Local governments can adjust them slightly. Our survey shows that circumstances differ greatly from place to place; thus, uniform prices do not fit in with the circumstances in different places, nor can they be adjusted in a timely fashion. Therefore, the setting of procurement and sale prices should be delegated to province (or municipal) governments, with the central government issuing guidance or reference prices, but not interfering with the readjustments and decisions of individual places.

(5) In economically developed areas and grain growing regions, a community grain certificate system should be instituted for peasants whose main source of income is other than grain production; i.e., issuing grain procurement certificates to peasants who do mostly other than grain farming, but taking back from them land to be used for the growing of grain. At grain harvest time,

these peasants who do not farm grain may buy the grain they need against their community certificate booklets. The purpose of this recommendation is to separate land from welfare, doing all possible to expand the scale of farming of households engaged in growing grain.

(6) In grain marketing areas, a parity price grain certificate system should be put into effect for low income households. All residents, or members of the population not in possession of parity price grain certificates will not be supplied parity price grain.

(7) Chinese agriculture depends too much on the second kind of land. This is bound to create a rapid decline in the marginal benefits that the second kind of land produces, and an enormous increase in costs. China must draw up a national farmland control plan to improve the physical and chemical properties of the soil, increase its organic content, increase the percentage of irrigated land, and do a good job of maintaining the water and soil of cultivated land. Projects must be set up at the national level to keep investment steady. Inasmuch as two-thirds of China's cultivated land produces intermediate or low yields, its potential is still enormous.

East Region

Jiangsu Produces Film on Nanjing 'Massacre'

OW0808150895 Beijing XINHUA in English
1503 GMT 8 Aug 95

[FBIS Transcribed Text] Nanjing, August 8 (XINHUA) — Shooting of a TV documentary series titled, "Nanjing Massacre — Testimony of Survivors", has been completed by the Jiangsu TV Station.

Film makers of this large documentary series spent eight months in consulting lots of historical archives and files about the Nanjing massacre, visiting over 100 survivors and eyewitnesses of the massacre.

This capital city of east China's Jiangsu Province was attacked by the Japanese army in December 1937. In the following six weeks the Japanese invaders killed more than 300,000 Chinese soldiers and civilians in the city.

The documentary series, based on irrefutable historical data and research findings by scholars, reveals the crimes committed by the Japanese invaders at the time.

This year is the 50th anniversary of the victory in the World Anti-Fascist War and in the Chinese People's War against Japanese Aggression. Various activities, both governmental and non-governmental, have been held across the country to celebrate the victories and commemorate the dead.

Several TV series and films on the massacre have been produced previously. The China No. 2 Archives published last month a picture album with 800 pictures and 50,000 Chinese characters of captions, files and other materials to record the brutalities committed by the Japanese militarists.

Meanwhile, a mobile exhibition on the massacre is scheduled to be on show in 11 cities of the province and will last three months.

The Nanjing Massacre Museum, opened in 1985, has received 3.8 million visitors, including 140,000 Japanese, over the past decade. The museum now is under expansion. More than one million people from home and abroad have made donations to the construction.

Central-South Region

'Industrial Restructuring' in Hainan Noted

OW0908021695 Beijing XINHUA in English
0203 GMT 9 Aug 95

[FBIS Transcribed Text] Haikou, August 9 (XINHUA) — Industrial restructuring has helped China's largest special economic zone crawl out from under the economic shadow of the stagnant real estate business.

Recent statistics show that the gross domestic product of this southern island which became the country's largest special economic zone in 1987, reached 15.57 billion yuan (about 1.88 billion U.S. dollars) in the first half of this year, up 3.4 percent over the same 1994 period.

Though small when compared with the national rate of 10.3 percent during the January-June period, the hard won growth was significant because the real estate sector had seen a 40.1 percent drop coupled with a decline of 10.6 percent in the building industry, both of which for years were important pillars of the Hainan provincial economy.

Following the establishment of the special economic zone, real estate companies sprang up like mushrooms, and there were 1,400 real estate companies by 1993 with investment totalling 17.48 billion yuan that year, making the real estate sector the most exciting and dynamic part of the provincial economy.

Then unexpectedly, the bubble burst when the central government decided to scale back investment in real estate and introduced macro-economic controls to control inflation, plunging the Hainan economy to a new low.

The provincial leadership took advantage of the economic setback, however, to restructure the province's industrial structure, paying close attention to agriculture, tourism, petrochemicals, transportation, energy, and infrastructure.

Consequently, agricultural value amounted to 4.69 billion yuan in the first half of this year, up 11.3 percent from the same period of 1994, and investment in infrastructure and key projects, amounting to 2 billion yuan, came in as planned in the first six months.

During the January-June period, the number of tourists increased 15 percent to 1.43 million, with those from overseas accounting for 53.1 percent, bringing revenues of more than 2 billion yuan and 36.8 million U.S. dollars' worth of foreign exchange.

Governor Ruan Chongwu said in a report that the relative slowdown in provincial economic growth is characteristic of industrial restructuring, and is only temporary.

"Our economic potential is greater than ever, and we have improved our industrial structure," Ruan said, adding that some good signs such as a drop of 10.3 percentage points in the retail price index in the first half of this year have already begun to appear.

During the January-June period, average per capita income grew 31.3 percent in urban areas and 10.1 percent in the countryside, both higher than the national average.

Huang Baozhang, director of the provincial planning commission, said that Hainan will place greater importance on infrastructure in order to let it keep pace with the economic growth.

"Our competitive advantages in natural resources and geographical location, among other things, certainly make our province special and attractive," Huang said.

Southwest Region

Tibetan Official Discusses 'Sweeping Changes'

OW0808135195 Beijing XINHUA in English
1153 GMT 8 Aug 95

[FBIS Transcribed Text] Lhasa, August 8 (XINHUA) — Sweeping changes have taken place and world-acknowledged achievements have been scored in all industries in Tibet over the past 30 years, according to Lieque, vice-chairman of the Tibetan Autonomous Regional Government.

Tibet's gross domestic product — the value of goods and services produced — amounted to 4.23 billion yuan, Lieque revealed on the eve of the 30th anniversary of the establishment of the Tibet Autonomous Region.

Last year the per-capita income of Tibetan rural residents averaged 555 yuan in 1983 prices.

He said, "Tibet's peaceful liberation, democratic reforms and autonomy have brought a new life to all Tibetans."

The past serfs now have become owners of land and livestock and are leading a new life, he said.

Tibet's farming and livestock-breeding sector has been growing rapidly since farmland was given to farmers to till and domestic animals to herders to raise in 1979, he added.

Tibet harvested 640,000 tons of grain in 1994, eight times the figure in 1965 when the autonomous region was established. The number of large domestic animals in stock, such as yaks, horses and sheep, reached 22.97 million at the end of 1994, 140 percent more than in 1965.

He said that Tibetans are now expanding a diverse economy, including the farming sector, livestock breeding, forestry, sideline production and the rural industry.

Since 1965 Tibet's tree coverage has risen to 18 percent, he said, adding that the regional capital of Lhasa alone has 370 hectares of lawns.

Starting from scratch, township-run factories in Tibet manufactured 570 million yuan worth of goods in 1994, he said.

He recalled that old Tibet had no modern industry at all, and had to purchase even nails and matches from elsewhere in China.

But now Tibet has built up a whole range of modern industries, including mining, building materials, leather tanning, woollen textiles. "Over the past 30 years Tibet's industrial production has been growing at an average annual rate of 6.6 percent," he said.

The vice-chairman said, "The reform and opening up has enabled the tide of a commodity economy to sweep all parts of Tibet, known as the roof of the world."

To date, 100 markets of various kinds have sprung up across Tibet and 30 farmers' markets have been set up.

Tibet now has 10,000 shops and stores handling 10,000 kinds of commodities, he said, adding: "Both the urban and rural markets are brisk, with annual retail sales amounting to 2.5 billion yuan."

Lieque said that flexible policies granted by the Chinese central government toward Tibet has enabled the region to open wider to the outside world and expand foreign trade and its tourism industry.

Tibet handled imports and exports totaling 360 million U.S. dollars in 1994. It now has nine hotels designed for overseas visitors, with a total of 3,600 beds. "The tourism industry is becoming a pillar industry spurring Tibet's economic takeoff," he said.

He recalled that old Tibet did not have a single highway. But now it has a network of highways with a total length of 22,000 km and 130 post offices. "Mail services are now available in all counties and 61 satellite telecommunications ground stations have been built in Tibet," he said.

Urban telephone switchboards in Tibet have a total capacity of 38,000 lines. The first generating unit of the Yamzhog Yumco Lake Water Pumping and Energy Storing Power Station is scheduled to start operation later this year.

"The most profound change is the change of people," he said, "The 2.3 million Tibetans have made great progress in their mental outlook and concept of value and are working hard to build their hometowns."

He said that old Tibet had just a few private schools and at least 95 percent farmers and their children had no chance to go to school.

But Tibet now has 3,400 primary schools, 70 middle schools, 16 secondary technical schools and four colleges, with a total enrolment of 300,000.

The central government decided to complete 62 construction projects to mark the 30th anniversary of the establishment of the Tibet Autonomous Region, Lieque said, adding: "The completion of the projects will play a significant role in improving Tibet's production conditions and Tibetans' living standards. A more prosperous new Tibet will certainly emerge in the next century."

PLA Medical Service in Tibet Termed 'Remarkable'

SK0908072295 Beijing XINHUA Domestic Service in Chinese 1443 GMT 7 Aug 95

[By correspondent Mi Feng (4717 0023) and reporter Yue Lincai (1471 2651 2088)]

[FBIS Translated Text] Lhasa, 7 Aug (XINHUA) — Remarkable results have been achieved in the work on "medical service to minority nationalities," carried out by various units of the People's Liberation Army (PLA) stationed in Tibet. In recent years, the PLA units in Tibet have sent out more than 3,200 medical service teams to cure diseases for 24 million persons of various nationalities and have set up 136 minority nationalities medical centers. Thus far, 85 percent of Tibet's villages have been enjoying the service of doctors and the medicine sent by the PLA units.

Because Tibet's territory is vast, its transport conditions are poor, and its population is scattered, the masses there have found it hard to seek medical advice. Right since the PLA entered Tibet, its troops have regarded the medical service to minority nationalities as a major content of their public health work. Over the past several years in particular, hospitals of various military subdistricts and brigades as well as medical teams (centers) of various regiments and battalions have generally carried out the system on dividing up the work and assigning a part to each unit and have set up cherish-the-people wards. Meanwhile, various PLA units stationed in Tibet have established nationalities medical service centers and have set up rounds visit groups to regularly go deep to rural and pastoral areas to diagnose diseases and conduct physical examination for the masses of various nationalities. Various medical units have sent more than 160 specialists groups to rural and pastoral areas to conduct investigation and study of tuberculosis, rheumatism, and mountain sickness, that have been relatively prevalent in Tibet. Now, breakthroughs and achievements have already been made in the investigation of water sources, water quality, and epidemic situation and some other key joint-research projects, that were conducted by the sanitation and anti-epidemic team and the military medical sciences research unit of the Tibet Military District together with some universities and colleges.

Over the past few years, the PLA units stationed in Tibet have trained more than 8,000 medical workers for localities and helped localities establish 365 hospitals and clinics. The medical workers trained each year by various troops for localities through medical training classes have already become the major source of the grass-roots doctors, nurses, and medical technicians of localities.

Tu Deng, director of the public health department of the Tibet Autonomous Region, said to this reporter: "Under the vigorous support and help of troops, Tibet has achieved gratifying results in medical and health undertakings and particularly in the mass health work in remote rural and pastoral areas. The average life-span of the masses of Tibetan nationality has increased to 67 today from 36 before the peaceful liberation. The fruitful medical service to Tibetan people by the PLA units stationed in Tibet has played an important role in improving the level of the health of Tibetan people."

North Region

Erhkuna River Termed 'Major' Transport Artery

OW0808113895 Beijing XINHUA in English 0724 GMT 8 Aug 95

[FBIS Transcribed Text] Hohhot, August 8 (XINHUA) — The Erhkuna River, on the upper reaches of the Heilongjiang River on the Sino-Russian borderline, is becoming a major inland water transport artery to the sea.

The development of the river is likely to be included in China's ninth Five-Year Plan (1996-2000).

The Erhkuna has a 683-km-long section open to navigation, in which ships of 300 d.w.t. (dead weight tonnage) can get through, and some parts of the section are able to accommodate ships above 600 d.w.t.

According to a recent agreement signed between China and Russia, Chinese ships can get to the sea by the lower reaches of the Heilongjiang River (Amur River in Russia), and reach harbors in Japan, the Republic of Korea and Russia.

Natural resources along the river such as wood, coal, lead, zinc and jade-like stones can be transported to Japan, ROK and Southeast Asian countries, with the transport distance shortened and cost cut.

The river now has two national first class customs outlets, and two third class ones.

The Chinese Government has to date invested a total of six million yuan in the construction of three wharves, four berths and 3,625 sq m goods yards.

In a few years, the river is expected to accommodate eight 450-horsepower ships, seven barges below 500 d.w.t., and the annual handling capacity of its ports to reach 230,000 tons.

Tax Court Established To Combat 'Evasions'

OW0808114395 *Beijing XINHUA in English*
0828 GMT 8 Aug 95

[FBIS Transcribed Text] Dalian, August 8 (XINHUA) — China has established its first tax court here in an effort to combat tax evasions and tax law violations.

Proposed by the Jinzhou branch of the Dalian State Tax Bureau, in northeast China, and approved by the local People's Congress and the local public security, procuratorial and judicial departments, the court has over the past two years handled five tax-related criminal cases, according to a local official.

He said that it is the first time China has introduced part of the public security, procuratorial and judicial functions into a local tax body.

Besides the court, the branch has also set up a public security office and a department solely responsible for investigation and checking tax violations. The department alone has handled a total of 25 tax-related offenses since 1988.

"The new bodies have enhanced tax law enforcement," the official said, adding that violent tax fraud cases have dropped significantly and the Tax Law has been better observed.

Shanxi Province To Expand Telephone Service

OW0808114595 *Beijing XINHUA in English*
0945 GMT 8 Aug 95

[FBIS Transcribed Text] Beijing, August 8 (XINHUA) — Shanxi Province in North China injected 79.83 million yuan into the development of telephone service in the rural areas last year, adding 10,750 new subscribers.

Such a large number accounts for one half of the total number of telephone owners for the past four decades, according to the China Electronics News here.

Last year saw the province set up 116 automatic switching stations across the countryside, expanding the exchanging capacity. According to the province's plan for this year, the telephone service will be further expanded to cover 10,000 more rural families.

Moreover, telephone service will be available to 1,000 villages, and the automatic switching system will cover at least 10 counties in the province, said the paper.

Tianjin Officials Note 'Rapid Growth' in Trade

OW0908103395 *Beijing XINHUA in English*
0858 GMT 9 Aug 95

[FBIS Transcribed Text] Tianjin, August 9 (XINHUA) — Officials with the Tianjin Economic and Technological Development Zone are attributing the rapid growth in foreign trade over the last year to the quality of service provided by the customs house, which has also played an important role in boosting exports.

The zone handled 934 million U.S. dollars' worth of imports and exports in the first half of this year, an 83.34 percent increase over the same period of last year and 29.3 percentage points higher than the city's average growth rate.

Customs officials explain that they adopted a series of reform measures to improve their service, carrying out a "direct pass program", for example, by which enterprises in the zone can go through all customs procedures right at the customs house and pick up their goods directly from the customs house.

With the help of Motorola, the customs house is also experimenting with Electronic Data Interchange (EDI) System to further simplify customs declaration formalities.

They have also adopted more flexible measures in dealing with bonded companies or factories, with the idea of increasing exports and processing trade in the zone.

From January to June of this year, the zone exported goods to 62 countries and regions, with exports of high-tech commodities, and high added-value ones, such as electronics and electrical appliances, machinery, and meters and instruments, having increased quickly.

Tianjin, ROK Institute Sign Hospital Accord

OW0808164395 *Beijing XINHUA in English*
1600 GMT 8 Aug 95

[FBIS Transcribed Text] Tianjin, August 8 (XINHUA) — The Tianjin College of Traditional Chinese Medicine and a traditional Chinese medicine research institute in the Republic of Korea (ROK) signed an agreement here today on establishing a Sino-ROK friendship hospital in Seoul, capital of the ROK.

According to the agreement, the ROK side will provide the needed capital, while the No. 2 Hospital affiliated to the Tianjin College of Traditional Chinese Medicine will send professionals to help build the hospital.

The Sino-ROK hospital will be the largest research body for traditional Chinese medicine in the ROK, able to provide medical service to 1,000 patients a day.

The hospital will also further promote exchanges of medical science between China and the ROK.

The Tianjin hospital has had similar cooperation with hospitals in the United States, Turkey and other foreign countries.

Northeast Region

Heilongjiang Governor Notes Future Plans

SK0908065895 Harbin Heilongjiang People's Radio Network in Mandarin 1100 GMT 8 Aug 95

[FBIS Translated Text] Centering on the implementation of the guidelines of the fourth plenary session of the seventh provincial party committee, the provincial government held the seventh plenary meeting on 8 August to make further arrangements and plans for the province's reform and development of the last five months of this year.

In his speech, Governor Tian Fengshan stressed: All provincial government departments and governments of various prefectures and cities should unite as one, act in line with the central task, pinpoint the priorities, firmly grasp their work, comprehensively fulfill this year's various economic and social development tasks, and struggle to achieve a better development situation and a good start as soon as the year of 1996 begins. Since last year, the provincial government have successively held two government plenary meetings to make arrangements for all fields of government work. All government departments and all cities and prefectures have conscientiously implemented the guidelines of the meetings, united as one, worked in a down-to-earth manner, and succeeded in accelerating the pace of the province's reform and development.

In his speech, Governor Tian Fengshan fully affirmed the province's achievements in firmly grasping the central task of economic construction, exerting efforts to solve the prominent problems that restricted the whole's economic development, realistically improving the government itself, giving play to the overall functions of the government, and improving the ideology and work style of organs over the past year.

In referring to the work of the next few months, Tian Fengshan said: The objectives and tasks for the province's economic and social development have been clearly defined. The crucial issue involved now is to implement them. All provincial government departments and governments of all cities and prefectures should prominently grasp the following aspects of work well.

It is necessary to conscientiously implement the decision and plans on turning Heilongjiang from a major agricultural province into an agriculturally strong province

and promote a comprehensive development in the agricultural economy. He said: It is necessary to do a good job in implementing the decision and plans and create a strong atmosphere of carrying out and developing agriculture in a big way. All relevant provincial-level departments should proceed from their own functions, formulate policies and measures for supporting agricultural development; all prefectures, cities and counties should act in close connection with their own actual situations, give consideration to agriculture while studying the overall economic development situation, conscientiously study and determine specific plans and measures for building strong prefectures, strong city, strong counties, and strong townships in accordance with the three major development priorities of grain, animal husbandry and township enterprises. At present, it is necessary to firmly cultivate the thinking of combating disasters all the year round in order to reap a bumper harvest, adopt effective measures, and strive to reap a good agricultural harvest.

Tian Fengshan stressed: We should do a good job in enterprise reform with the establishment of modern enterprise system as the priority and realistically promote the strategic readjustment of the province's industrial structure. At present and for some time to come, the province's industrial development should be focused on raising economic efficiency and quality while accelerating the development rate. The economic reform priority of this year is to establish the modern enterprise system and to conduct experimental work on optimizing the capital structure and strengthening enterprise vitality in Harbin and Qiqihar cities. State-owned enterprises which have been designated as pilot units for establishing the modern enterprise system should grasp the implementation of all relevant policies well and do a good job in the strategic readjustment of the whole province's industrial structure.

Tian Fengshan also worked out plans for promoting a rapid and sound development of the non-state sector of the economy and tertiary industry, advancing the development of foreign economic relations and trade, deeply implementing the strategy of invigorating the province through science and technology, and making continued efforts to strictly control the rise of commodity prices.

The meeting was presided over by Vice Governor Ma Guoliang. He called on the participants to conscientiously grasp and implement the spirit of this meeting and comprehensively fulfill the province's various tasks for this year.

Northwest Region

Xinjiang Foreign Trade Volume Up 60 Percent

OW0908110595 Beijing XINHUA in English
1039 GMT 9 Aug 95

[FBIS Transcribed Text] Urumqi, August 9 (XINHUA) — Northwest China's Xinjiang Uygur Autonomous Region made an import and export volume totalling 545 million U.S. dollars in the first half of this year, up 60 percent over the same 1994 period.

This followed consecutive increases in foreign trade during the past four years.

The volume topped 450 million U.S. dollars in 1991. And the figure hit a record 1.022 billion U.S. dollars last year.

Xinjiang has set up trade relations with more than 60 countries and regions, including Japan, Hong Kong, Macao, Russia and the United States.

Export commodities have been expanded from raw materials such as cotton, wool and non-ferrous metals to finished or half-finished products including silk carpets, power generating units, tractors, TV sets and daily necessities.

The border trade volume for the region reached 280 million U.S. dollars in the first six months, up more than 80 percent over the same period last year.

Geologists Discover 'Rare' Mineral Deposits

OW0808113595 Beijing XINHUA in English
0909 GMT 8 Aug 95

[FBIS Transcribed Text] Urumqi, August 8 (XINHUA) — Some various rare minerals deposits as chemical

materials have been spotted at the Lopnur, a dried up lake basin in Xinjiang Uygur autonomous region in northwest China.

Geologist here say that special minerals, including the tychite, aphthitalite, potassium nitrate and sodium nitrate, are of great significance to the development of chemical industry.

Located in the eastern part of Tarim basin, Lopnur had ever been the final destination of Tarim river, the longest inland river in China. Even in 1950s, Lopnur still have a 3,000 square meters areas of water surface. It dried up completely in 1974.

In the past people understood that Lopnur is only abundant in rock salt, mirabilite, crystal and other common mineral resources.

In recent times scientists never stopped making inspection into Lopnur areas, including some western adventurers. One of Chinese famous scientist, Peng Jiamu, had disappeared there in June, 1981.

Gao Zhuang, director of Xinjiang Geology and Mineral Resources Bureau, say that these newly spotted minerals are all high grade ores, adding that these discoveries will bring in bright future of exploitation to the desolated Lopnur deep inside Taklimakan desert.

Denial of Independence Called 'Naked Deception'

OW0708172695 *Beijing Central People's Radio in Mandarin to Taiwan 2200 GMT 5 Aug 95*

[Unattributed commentary: "A Naked Deception"; from the "News and Current Events" program]

[FBIS Translated Text] An official of the Taiwan authorities argued at a press conference a few days ago that the problem of Taiwan independence does not exist in Taiwan.

Does the problem of Taiwan independence exist on the island? The answer is affirmative. Otherwise there would be no reunification complex or independence complex on the island; and the big reunification-independence debate would not have taken place two years ago; and Mr. Li Denghui [Li Teng-hui] would not be in the embarrassing position of trying to defend himself for saying to certain Democratic Progressive Party members who supported Taiwan independence: In fact, I share your views. Do not rush; do it slowly.

The majority of people are also uncertain whether the problem of Taiwan independence exists among the Taiwan authorities themselves.

It is true that the Taiwan authorities have also occasionally pledged to uphold the one China position, but people are even more aware that certain Kuomintang bigwigs' words and deeds have gone against the one China principle.

For example, many people have said on different occasions that Taiwan is a state. Some people have also openly made such self-explanatory statements as: Why should we go for Taiwan's independence, since the Republic of China is an independent country in the first place?

As Taiwan's supreme power holder, Li Denghui has admitted that he knew nothing about China until he was 20 years old or so. To lead Taiwanese to build their own country, he preached: We must break through the restraint of conventional international laws and attempt the impossible.

People are also very clear that the Taiwan authorities, in an attempt to split the motherland, have brazenly tried to create two Chinas, or one China and one Taiwan, by trying to buy diplomatic recognition, and even a UN seat, with huge amounts of money. The facts show that the Taiwan authorities have done things that prove they are wallowing in the mire with the Taiwan independence advocates. As people with foresight have pointed out, the difference between the Taiwan authorities and the Taiwan independence advocates is which name will be used once Taiwan has become independent: Republic

of China or Republic of Taiwan. In other words, the Taiwan authorities and the Taiwan independence advocates differ slightly in name but are essentially the same.

Under such circumstances, is it not a naked deception that the Taiwan authorities still want people to believe the problem of Taiwan independence does not exist?

Official Encourages Taiwan Investment on Mainland

OW0908024295 *Beijing XINHUA Domestic Service in Chinese 1540 GMT 7 Aug 95*

[By reporter Lin Siding (2651 2448 1353) and correspondent Xie Mu (6200 2606)]

[FBIS Translated Text] Fuzhou, 7 Aug (XINHUA) — Chen Yunlin, executive deputy director of the State Council's Taiwan Affairs Office, today held a discussion meeting in Fuzhou with persons in charge of the Fuzhou City Association of Taiwan-Invested Enterprises and some Taiwan businessmen who have invested in Fuzhou. At the meeting, Chen Yunlin stressed: Economic and trade cooperation and other exchanges between the two sides of the strait are in line with the common interests of the people on both sides of the strait and are a long-range undertaking that affects the Chinese nation's development and prosperity. For this reason, the cooperation and exchanges will not be affected by the political differences between the two sides. Whatever happens, all legitimate rights and interests of Taiwan's investment on the mainland will be protected and will not be infringed upon. We welcome more new friends to invest on the mainland.

After earnestly hearing the opinions of the representatives of Taiwan businessmen, Chen Yunlin said: After General Secretary Jiang Zemin made an important speech on the Taiwan issue early this year, a good trend emerged in developing relations between the two sides. But the real purpose of Li Denghui's [Li Teng-hui's] so-called "private visit" to the United States in June was to create "two Chinas" or "one China, one Taiwan". This has very seriously hurt the national feelings of all Chinese people and has seriously damaged relations between the two sides.

Chen Yunlin pointed out: The motherland's reunification is an irresistible historical trend. Current developments between the two sides will not affect our policy of encouraging Taiwan businessmen to invest on the mainland. I hope Taiwan businessmen will set their minds on their businesses. Under the leadership of local CPC committees and governments, Taiwan Affairs Offices of all localities should continue to do coordination work well and to properly serve local Taiwan

businessmen, should take the initiative in helping them overcome their difficulties, and, as always, should solve problems for them. At the same time, they should seriously review the enforcement of laws on protecting Taiwan investment, and truly protect Taiwan businessmen's rights and interests.

Chen Yunlin also pointed out that Fujian, which is separated from Taiwan only by a strip of water, is geographically closely related to Taiwan, and the people of the two provinces are also closely related. Relatively speaking, Fujian has a comparatively good investment environment, open-minded leadership, and a quite reasonable economic structure, and local people are also not so old-fashioned. So we hope more new friends will invest in Fujian. Beginning next year, we will carry out the Ninth Five-Year Plan. We hope Taiwan businessmen will be more farsighted, will not be affected by the

current situation, and will seize the current rare development opportunity to invest on the mainland. Based on the principle of giving priority to Taiwan businessmen if their investment projects are comparable with others' and of appropriately liberalizing relevant regulations, we will create better conditions for Taiwan investment on the mainland. We should make common efforts to bring about prosperity for the Chinese nation in the 21st century.

Taiwan businessmen attending the meeting said: The current difficulties in cross-strait relations are temporary. We will continue to manage our business well and make contributions to developing cross-strait economic relations and to realizing the motherland's peaceful reunification.

Spokesmen View Christopher-Qian Meeting

OW0908055495 Taipei CNA in English
0147 GMT 9 Aug 95

[By Debbie Kuo]

[FBIS Transcribed Text] Taipei, Aug. 8 (CNA) — US Secretary of State Warren Christopher, in his recent Brunei meeting with Mainland Chinese Foreign Minister Qian Qichen, did not discuss with Qian the possibility of signing a fourth Sino-US communique and did not agree to the Chinese position that "Taiwan is a province of China," a US Government spokesman said Tuesday.

Kent Wiedemann, a deputy assistant secretary of State for East Asian and Pacific Affairs, also said on Tuesday that Christopher, on behalf of the US Government, refused a Beijing demand to ban visits by President Li Teng-hui and other ROC [Republic of China] officials to the United States.

Wiedemann made the remarks in Washington while briefing ROC representative in the US Benjamin Lu on the talks, Foreign Affairs Ministry spokesman Rock Leng said.

Christopher met with Qian on Aug. 1 in Brunei, where they were attending a security conference hosted by the Association of Southeast Asian Nations (ASEAN).

Relaying details of the briefing, Leng said the United States reiterated that it will continue to strengthen substantive relations with Taiwan based on the Taiwan Relations Act, and that it hopes the two sides of the Taiwan Strait will seek to resolve their differences in peaceful ways.

Representative Lu and his aides, during the briefing, also expressed concern about Wiedemann's recent statement that the US would not support Taiwan's bid to join the United Nations. Wiedemann testified at a hearing before the US House International Relations Committee last week that Washington's supporting the Taiwan bid to join the UN might prompt a Beijing invasion of Taiwan.

Leng said Lu reiterated Taiwan's determination in seeking UN membership based on the principles that it would continue to seek the eventual unification of China, that it would not challenge Mainland China's seat at the UN, and under the affirmation that the two sides of the Taiwan Strait are independent political entities under separate rule.

Meanwhile, Leng said, a recent national poll in the United States found that more than 70 percent of Americans do not think Mainland China should invade Taiwan, and that nearly 60 percent believe Taiwan is an independent country.

Spokesman Comments on '100-Year Peace Accord'

OW0908014195 Taipei CHUNG-KUO SHIH-PAO
in Chinese 5 Aug 95 p 4

[FBIS Translated Text] Commenting on a suggestion made by several National Assembly members that we should promote the signing of a 100-year peace accord between the two sides across the strait, Mainland Affairs Council [MAC] spokesman Kao Kung-lien pointed out yesterday: In drawing up a plan for ending hostility across the strait, we should return to President Li Teng-hui's six-point speech, put forward at the National Unification Council on 8 April.

Vice Chairman Kao Kung-lien pointed out: If the Chinese Communist authorities formally renounce their threat to use force against Taiwan, Penghu, Quemoy, and Matsu, the two sides can hold a preparatory meeting at an opportune moment on how to hold talks to end hostility. As to whether we should set a time limit for the peace accord, the two sides can discuss the issue during the talks.

Taiwan To Set Up Electronic Warfare Units

OW0908055195 Taipei CNA in English
0139 GMT 9 Aug 95

[By Maubo Chang]

[FBIS Transcribed Text] Taipei, Aug. 8 (CNA) — The ROC [Republic of China] Army will set up electronic warfare units in line with the trend toward modern warfare tactics, the president of the Army's Communication and Electronics School, Maj. Gen. Chang Chin-hai, said Tuesday.

Chang made the remarks while meeting with reporters who were inspecting the school. The open house was held to mark the 50th anniversary of victory over Japan.

Chang said in an interview that sophisticated electronic equipment has been in greater use since the Gulf war, and that the ROC Army would conform to the development.

He said that since electronic warfare systems are classified as top secret by every country, they are very hard to acquire.

The Communication and Electronics School has worked with the Chung-Shan Institute of Science and Technology to develop electronic countermeasures and counter-countermeasures since the 1970s, he said. The two establishments have also developed an "electronic warfare simulation system" which trains soldiers to jam enemy communications, he added.

According to Chang, the electronic warfare simulation system can provide the best training to soldiers without using expensive electronic equipment.

In order to speed up military communications, the Communication and Electronics School has developed a computer and communication system that can cut in half the time needed to send and receive telegraphs.

Chang said that with the new computer and communication systems, Army commanders will be able to give orders by simply pressing keys on a computer.

Foreign Ministry Officials Discuss UN Bid

OW0908055895 Taipei CHUNG-YANG JIH-PAO
in Chinese 5 Aug 95 p 2

[FBIS Translated Text] Our country's UN bid was discussed at a hearing of the U.S. Congress's Foreign Affairs Committee on 3 August Eastern Standard Time. The majority of representatives supported our joining in the UN. However, Kent Wiedermann, U.S. deputy assistant secretary of state in charge of East Asian and Pacific affairs [title as published], said that U.S. support for Taiwan's UN bid may prompt Communist China to use military force against Taiwan and cause a catastrophe.

At yesterday's news conference at the Ministry of Foreign Affairs [MOFA], Shen Kuo-hsiung, director of the MOFA's International Affairs Department, emphasized: We will not stop promoting our UN bid because of the U.S. executive branch's objection. We will continue pushing this task forward, based on our principle of exploring space in the international community.

At yesterday's MOFA news conference, Tu Chu-sheng, director of MOFA's North American Affairs Department, said: This was not the first time that the U.S. executive branch publicly pointed out that it was against our country's UN bid; however, we hope that even though the United States cannot support our country for the time being, it will, at least, not express negative opinions on this issue. To join the UN is a matter of votes. The U.S. vote will affect other nations. However, if a number of nations support us, the United States will also be affected. We will not suspend our UN bid because of temporary obstruction.

Shen Kuo-hsiung also emphasized that the Republic of China will continue promoting its UN bid according to its principles of taking part in the international community and exploring space in the international community.

*Taiwan's Future: Li's Creative Ambiguity?

95CM0356A Taipei TZULI WANPAO in Chinese
21 Jun 95 p 2

[Dispatch by reporter Kang I-lun (1660 0181 0243): "President Li's Position on Unification Versus Independence Unknown to More Than 40 Percent of the Public, According to DPP Survey"]

[FBIS Translated Text] Taipei — "Developing a greater Taiwan and building a new China." What does this phrase really mean to the Taiwan public—unifying the two sides of the Taiwan Strait or making Taiwan an independent state? A recent public opinion poll conducted by the Democratic Progressive Party [DPP] regarding President Li Teng-hui's stand on the unification versus independence question shows that 42.6 percent of the public either doesn't know or can't say what President Li's real position is. Fewer than 30 percent believe he is pursuing unification of the two sides, while 16.9 percent believe he's for independence. DPP Chairman Shih Ming-te [2457 2494 1795] called these results very alarming. A country's head of state, Shih said, should be able to provide guidance on the overall direction the country should take, and this direction should be made clear to the public.

The DPP survey targeted Taiwan's 14 million adults and was conducted May 9 to May 22. The poll focused on "Li Teng-hui's position on unification versus independence; political parties and a coalition cabinet."

Li Teng-hui is considered by the New Party to be a supporter of independence for Taiwan. Yet in calling for "developing a greater Taiwan while keeping sight of a New China," is he really advocating unification or calling for independence? According to the DPP's survey results, fewer than 30 percent of the people believe Li is for unification, and more than 15 percent believe he's for independence. Only 10 percent feel he supports neither, wanting instead to maintain the present situation.

Commenting on these survey results, DPP Chairman Shih Ming-te said that although Li Teng-hui makes himself out to be a Moses, the poll reveals that the public is in the dark as to where Li wants to lead them. This is a serious problem, Shih said. He emphasized that a country's overall direction must not be ambiguous. Yu Ying-lung, executive of the DPP Commission on Election Policy, also said that the disparities in the public's understanding of Li Teng-hui's position on unification or independence shows that many people in Taiwan are confused about his position, and that the public has many differing views on this matter. This reveals a serious crisis in the nation's leadership, Yu

Ying-ling said. The public understands that Li Teng-hui talks constantly about unification, but one can see from the poll that few people actually believe him.

The DPP's recent poll also found that mainlanders are even more likely than Taiwanese of South Fukienese or Hakka origin to think that Li Teng-hui supports independence for Taiwan. The highly educated, namely those with more than a college education, also are more likely than others to believe that Li Teng-hui is pro-independence. Breaking down the respondents according to which party they support, those who think that President Li's real position is pro-unification are more likely to be supporters of the Kuomintang, followed by the New Party, then the DPP. Among those who think that Li is pro-independence for Taiwan, the largest number are supporters of the New Party, then the DPP, and last, the Kuomintang.

***General Public Perceives Li's U.S. Trip**

95CM0356B Taipei TZULI WANPAO in Chinese
5 Jun 95 pp 1,2

[Dispatch by reporter Lin Ying-chiu (2651 3853 4428): "DPP Announces Public Survey Results: President Li Should Take U.S. Trip Even If It Angers Chinese Communists"]

[FBIS Translated Text] Taipei — The Democratic Progressive Party [DPP] announced that its third national public survey has provided an understanding of the public's view on President Li Teng-hui's U.S. trip. The survey found that nearly 50 percent of the public feel it is worth it for President Li to visit the United States even if his doing so would anger the Chinese Communists. Also, 35.5 percent said they would still support his going even if such a trip caused military tension in the Taiwan Strait. An analysis by the DPP's Commission on Election Policy said these figures show that many people in Taiwan are unwilling to endure any longer the current humiliating diplomatic situation but would rather take risks to fight for independence and self-determination in foreign affairs.

More than 85 percent of the Taiwan public know that President Li Teng-hui is about to visit the United States; only 15 percent said they did not know about it. This, according to the analysis by DPP's Commission on Election Policy, shows that President Li's U.S. trip has become common knowledge in almost every household in the country. It also shows that the people of Taiwan are concerned about and interested in their head of state visiting the United States.

Whether it would be to Taiwan's overall interest for Li Teng-hui to visit the United States, nearly 60 percent of the public feels it would be; only less than 10 percent

say it would not be. Forty-three percent of the public do not believe such a trip would strain the relationship between the two sides of the Taiwan Strait, although another one-third say it would.

Almost half think even if President Li's U.S. trip angers the Chinese Communists, it would be worth it for him to go, while a little over 20 percent feel it would not be worth it to attempt the trip under that circumstance. And 35.5 percent of the public say that if President Li's trip were to cause military tension in the Taiwan strait, they would still advocate his going; but, 38.3 percent say they would then not want the president to go. In analyzing these numbers, Yu Ying-lung, executive of the Commission on Election Policy, said there is evidence that a sizable number of people in Taiwan would rather risk unusual dangers to gain independence and self-determination in diplomatic affairs than continue to endure the current humiliating diplomatic situation. Although their number does not exceed one half of the total, it is a much higher figure than commonly expected, Yu Ying-lung said. In other words, the people of Taiwan aren't as timid as they're usually thought to be. The fact that the people are almost equally split on whether they would support or oppose Li Teng-hui's U.S. trip if it led to military alarm in the Taiwan Strait, almost 40 percent in each case, this demonstrates an "historical situation of being caught between a rock and a hard place" and is worth citizens' attention, Yu said.

The survey also found that as many as 55 percent of the respondents believe it's best for Li Teng-Hui to visit the United States as a "head of state," while fewer than 20 percent advocate his going as a "private individual." As many as 65 percent of the public hope that President Li would be able to meet with the U.S. President and Congress on this visit. About 10 percent feel he should not meet with them. For the most part, people feel that even if President Li goes on the U.S. trip as a private individual, the U.S. precedent-setting decision to allow him to visit will be an example for other major countries. As many as three-fourths of the people of Taiwan look forward to a time when President Li might visit Japan. In Yu Ying-ling's judgement, the deeper significance behind this figure is that the great majority of people yearn for Taiwan to have normal and formal diplomatic relations with all nations in the world.

***Newly Emerging Political Terrorism Feared**

95CM0352A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese 20 May 95 p 9

[Article by Chi Yen-ling (4764 1693 7117): "Rumors Portend Emergence of Terrorism in Taiwan Politics"]

[FBIS Translated Text] Two shocking rumors have been making the rounds in Taiwan recently. In the first rumor, an anonymous letter charges that Hao Pai-tsun [6787 2672 2625] has been in contact with old associates to put together an anti Li Teng-hui [2621 4098 6540] group in the military and plot a coup d'etat. Although Hao Pai-tsun has vehemently denied these accusations, calling them another well-worn tactic to besmear his reputation, high-ranking figures within the presidential palace take the contents of the anonymous letter most seriously and have ordered the General Political Warfare Department of the Ministry of Defense to investigate.

The second rumor involves a burglary at the residence of Lien Wen-pin [6647 2429 1755], physician to the president, and a later attempt to break into his car. There were no monetary losses and even the police described the incidents as ordinary bungled attempts at robbery. However, Lien Wen-pin's physician's bag was tampered with, prompting people at the presidential palace to speculate that the burglars were after Li Teng-hui. Besides demanding that the police look into the case further, they decided to discard and replace the bag and all other medical equipment that had been tampered with.

Wise people do not listen to rumors. Be that as it may, rumors often are facts waiting to mature. Of these two shocking rumors, one may turn out to be a carbon copy of the Sun Li-ren [1327 4539 0086] case while the other may be a conspiracy to murder the head of state. Although they are so shocking as to be unbelievable, the presidential palace decided there must be something behind them and has turned over both cases for further investigation.

There could be only two reasons why the presidential palace seems to be taking these rumors so seriously. One, the mainstream hopes to use the rumors to attack the non mainstream faction. Two, there are those around Li Teng-hui who really believe that the non mainstream faction will graduate from speech disrespectful to Li Teng-hui to actions harmful to him.

The power struggle between the mainstream and non mainstream factions of the Koumintang [KMT] has deteriorated by the day in recent years. The goals of the struggle are being personalized; the forms of struggle are becoming more and more open; the means, more and more brutal; and the motives, more and more

conspiratorial. Whether they constitute a plot on the part of the non mainstream faction or have been cooked up by the mainstream, the two latest rumors have added a touch of terrorism to the political strife within the KMT.

People engaged in a political struggle are given to concocting crises or exaggerating them. This is typical of a political struggle. But those who manufacture terrorism or carry on a political struggle with terrorist tactics have crossed the line of a political struggle. For the perpetrator himself, it represents moral failure and degeneration. From the political development perspective, it also signals the beginning of the proliferation, visible and otherwise, of political terrorism.

Mayor Chen Shui-pien [7115 3055 2078] of Taipei has recently expressed deep concern about the safety of the candidates in the legislative election late this year as well as that of candidates in the presidential election next year. He is even concerned that there might be assassination attempts. While Chen's worry may turn out to be unfounded, his anxiety, like the pair of rumors, suggests that political terrorism has cast its shadow over Taiwan politics, a shadow that will only widen as the elections approach.

***Professor Views Root Cause of Identity Crisis**

95CM0352B Taipei HEIPAI HSINWEN [TAIWAN WEEKLY] in Chinese 27 May 95 No 85, p 77

[Article by Chen Chin-chung (7115 6930 1813): "History Curriculum Contributes to Identity Crisis"]

[FBIS Translated Text] The election strategy committee of the Democratic Progressive Party [DPP] released the results of a national public opinion survey recently. On national identity, 29 percent of those polled identified themselves as Taiwanese instead of Chinese, 35.3 percent identified themselves as Chinese instead of Taiwanese, 27.2 percent considered themselves both Taiwanese and Chinese, and 6.4 percent were not sure whether they were Taiwanese or Chinese. Turning to national pride, 48.13 percent of the people polled were proud of being Chinese, whereas 39.73 percent were proud of being Taiwanese.

No doubt the results of this public opinion survey reflect the confusion the people of Taiwan are experiencing when it comes to national identity. Clearly this identity crisis is related to the vagueness of the term "Chinese." On the one hand, the term "Chinese" has political and legal attributes; on the other hand, it has national and cultural attributes also. We believe the majority of those who identify themselves as Chinese or are proud of being Chinese do so out of national or cultural feelings. However, since the term also has political and legal

connotations, what started out as national or cultural identity can be extended to mean identification with a nation called "China." This has thrown the people of Taiwan into a serious identity crisis today.

The Taiwan people's identity crisis was caused by a host of very complex reasons. A leading culprit, however, is the historical memory and consciousness fostered by a misguided historical education that has been in existence for years. The purpose of history in the education system puts emphasis on creating a common historical memory and consciousness to develop a sense of nationality and hence a sense of national identity. The political purpose of history in the educational system is clear. The result is that history has been distorted. During its 50-year rule in Taiwan, the KMT regime has made the most of this kind of historical education. What we end up with is the current identity crisis among the people of Taiwan.

The purposes of the KMT regime's historical education in Taiwan during the last 50 years are to "make the student understand the evolution of the Chinese nation and the changes of its territories," "make the student understand China's political, social, economic, and cultural developments," and "make the student understand the nation's traditional spirit and a citizen's place and responsibilities by learning the historical facts of its ancient and glorious civilization." (Teaching Goals of History in National Secondary Education) These are high-sounding educational goals. The objective is not only to educate the student in the Chinese nation's evolution and its political, social, economic, and cultural developments, but even more important, to affirm the legitimacy of the existing state organs by putting them in the context of historical development. In other words, the objective is to foster identification with a state through identification with a nation. Thus the so-called 5,000-year Chinese history has become not only the Taiwan people's national history, but also their historical memory.

Ironically, not only did the Taiwan people play no part in the earth-shaking events in post-1895 Chinese history, including the Hundred-Day Reform, the Reform of 1898, the Boxer Uprising, the 1911 Revolution, the May 4 Movement, and the 8-Year War of Resistance against Japan, but some Taiwan people were even accomplices. In the national historical curriculum today, not only are these events part of the historical memory which the Taiwan people did not live through, but events they did go through are not part of the historical memory as defined by a monopolistic historical education. Now and then some individuals may try to open the box of memory only to be criticized for yearning to be under Japanese rule. So the Taiwan people have no choice but to build their identity on a historical memory they have

not lived through. Confusion is inevitable under these circumstances.

The issue, of course, is more complex than this. After the Chinese Communist regime won international recognition as the representative of the Chinese nation, the Taiwan people became more confused than ever regarding the issue of national identity. Many people could only say that the "China" they identify with is only a nationality, a culture. It seems that the time has come for us to review the place of Chinese history as national history.

(Writer is associate professor of history at Tung-hai University.)

***KMT Misunderstands Voters**

95CM0352C Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese 20 May 95 No 427, p 8

[Article by Nan Fang-suo (0589 2455 2592): "KMT Misunderstands Voters"]

[FBIS Translated Text] The year-end legislative election is approaching. The Koumintang [KMT] has been in the grip of a crisis following the Taipei elections late last year. None of the three parties captured a majority of the votes. There is a sense that the parties would now have to take turns running the government. Hence the latest high-level personnel reshuffle within the KMT, which was prompted by a hope to recapture the votes that were lost.

Man grows through endless challenge and response. Concerned about rising popular alienation, the KMT is now hard at work trying to recapture votes that have gone elsewhere. But was it really a "misunderstanding" that caused it to lose votes? Did the KMT lose at the poll simply because of a "misunderstanding?" Could it be that voters cast the wrong votes because they failed to see the KMT objectively? The KMT wants to win back the voters but it does not know the real reason for its popular alienation. That it so far has not figured out why it lost lies at the heart of its failure.

Everybody with a discerning eye in Taiwan knows that the voters never misunderstood the KMT. Did the KMT really do a good job amending the constitution? It changed the document here and revised it there, but the more it tinkered with it, the more authority it lost. Instead of deserving credit for a job well done, the KMT must be faulted. The age of authority has been coming to an end in recent years. The KMT now resists this trend, now goes along with it; never once did it put itself at the forefront of the trend. This much is beyond dispute. The KMT takes credit for achievements that do not exist. Voters know one thing the party itself has

always refused to acknowledge. On policy matters, for example, it has never come up with innovative ideas and is content to be led by the opposition. On some major issues, such as universal health insurance and the Chieh-yun elevated railroad, it has always had the uncanny ability to work itself into a bind. It puts petroleum in command but is not known for incorruptibility or efficiency.(as translated) All of this shows that the KMT has moved onto the conservative side of the aisle, something voters have never misunderstood.

If the KMT honestly examines the true reasons for its unpopularity at the ballot box, the party would realize that it has to do with its inability to innovate. It can neither lead public opinion and set the agenda nor serve the people with efficiency. Both failures can be traced to the drying up of its pool of talented members and its misguided personnel strategy. Among its parliamentary delegation to the National Assembly, few are even articulate. How can they avoid being anything else but followers? Take the latest high-level personnel reshuffle. When one looks at this game of musical chairs, "innovative" is the last word to come to mind. While talented people are few and far between at party central command, many people are busy attending funerals, certainly not a scene that suggests a resurgent party. On the contrary, it is an image evocative of a dying dynasty. Voters do not "misunderstand" the KMT. It is just that the KMT "misunderstands" itself and the voters.

Voters have discerning eyes. There was no misunderstanding in the elections. It is not difficult to win back these voters. The important thing is for the KMT to ask itself: Have I really offered the voter something? What have I really done for Taiwan? The day an honest self-examination by the KMT reveals a clear conscience is also the day when it wins back the voters.

Foreign Investment Tops \$1.1 Billion in Jan-Jul

OW0908053695 Taipei CNA in English
0126 GMT 9 Aug 95

[By Yang I-feng]

[FBIS Transcribed Text] Taipei, Aug. 8 (CNA) — Foreign and Overseas-Chinese investment in Taiwan totaled US\$1.185 billion in the first seven months of the year, a 51 percent growth compared with the year-earlier level, the Ministry of Economic Affairs said Tuesday.

The transportation industry saw the greatest surge in investment, while the greatest amount of investment — US\$227.09 million — came in the chemicals industry, the ministry said.

Foreign and Overseas-Chinese investment in July alone totaled US\$179.24 million, an increase of 3.42 percent over June.

The ministry said foreign investment targeted the chemical, electronics, transportation, finance, and services industries.

Overseas Chinese from the Philippines invested the most of all Overseas Chinese, at US\$47.452 million, or an increase of 58 percent over the year-earlier period. Overseas Chinese from Hong Kong invested US\$43.067 million.

The United States was the greatest single source of foreign investment in the January-July period, sending US\$288.7 million, or a 100 percent increase over the year-earlier level.

Investment Abroad Declines From Jan-Jul

OW0908060695 Taipei CNA in English
0209 GMT 9 Aug 95

[By Maubo Chang]

[FBIS Transcribed Text] Taipei, Aug. 8 (CNA) — Taiwan invested US\$847 million abroad in the first seven months of the year, a decline of 18 percent over the corresponding period of last year, the Economic Affairs Ministry said Tuesday [9 August].

The United States was the main target of Taiwan overseas investment, attracting 18 percent of total overseas investment, followed by Vietnam. Investment to the Philippines increased the most.

Most overseas investment went to the financial and insurance industries, followed by the electronics, textiles, and chemicals industries.

Meanwhile, the Economic Affairs Ministry approved US\$673.52 million in investment in Mainland China during the January-July period, an increase of 44 percent on the year-earlier level.

The ministry said coastal areas of the Mainland, such as Jiangsu, Guangdong, Fujian, Hebei and Liaoning, were the favored investment sites.

Customs Officials Uncover Banned Deer Antlers

OW0908024995 Taipei CNA in English
0113 GMT 9 Aug 95

[By Yang I-feng]

[FBIS Transcribed Text] Taipei, Aug. 8 (CNA) — Customs officials at Chiang Kai-shek Airport reported Tuesday [8 August] that they had detained several

people for trying to bring banned deer antlers into Taiwan.

Customs officials said they arrested employees of the Lien I Textiles Co. when they tried to pick up a shipment of 296 kilograms of deer antlers.

A customs official said the antlers were from New Zealand, where they had recently been culled from young deer.

An investigation into the matter is under way, he said.

Hong Kong

NPC Member Files Candidacy for Council Seat

HK0908065695 Hong Kong SOUTH CHINA
MORNING POST in English 9 Aug 95 p 4

[By No Kwai-Yan and Catherine Ng]

[FBIS Transcribed Text] A long-time local deputy to China's National People's Congress (NPC) yesterday said his Legislative Council [Legco] bid was not a sign of Beijing interference. Cheng Yiu-tong, chairman of the pro-China Federation of Trade Unions, will become the first NPC member to stand in the elections in September.

Zhang Junsheng, Vice Director of Xinhua (the New China News Agency) said any local people who held posts in China could stand in local elections if they met the requirements for nomination. But Mr Zhang refused to say whether he expected there would be any difficulty over allegiances for local delegates to the NPC who run for Legco. "According to Hong Kong law, anyone can stand in the election if he is qualified to do so. Anyone can vote if he is eligible," he said.

Mr Cheng, who is to file his nomination papers for one of the two labour seats this week, said his participation in the two legislatures would complement each other. "The NPC is making national laws for China while Legco formulates local laws. There should not be conflict in any way," he said. He said he could help draw up the Chinese laws that would apply to the territory after 1997 by reflecting Legco's opinions in the NPC. Mr Cheng said he had no intention of standing down if he was elected, despite his heavy workload at the 210,000-strong federation.

He said he had a 50-50 chance of winning the seat, but it is widely believed the strength of the federation should ensure his success. The federation holds the votes of a third of the 332 unions eligible to choose the two representatives to Legco. However, he suggested he could not afford to relax as individual members would not necessarily cast their votes the same way as unions.

Two of his competitors, former civil servant John Luk Woon-cheung and the pro-Taiwan unionist, Lee Kwok-keung, registered their candidacies yesterday. Mr Luk said he had solicited support from more than 50 civil service unions, but declined to say if he would approach the federation.

Meanwhile, 22 more candidates were nominated yesterday as many believe August 8 is a lucky day. The total is now 110. The new candidates include Poon To-chun and Tong Yat-chu in the Primary Production, Power and Construction group; Chan Kwok-keung and Chen Ming-kit in Textiles and Garments; Leung Fu-wah in Manufacturing; Wong Kwok-hing in Wholesale and Retail; Chan Wing-chan in Hotels and Catering; and Cheuk Siu-yee and Cheng Kai-ming in Transport and Communication. Stephen Ng Kam-chun and Chan Yuk-cheung have joined the fray in Financing, Insurance, Real Estate and Business Services. Mok Ying-fan has put forward his papers to contest the Urban Council seat. In the geographical Constituency elections, Ko Pingchung is to contest New Territories South-east; Chung Yee-fong goes for Kowloon South-west; and Yim Tinsang is standing in New Territories West. Four of the new candidates are competing for seats on the Election Committee. They are Fung Kwong-chung, Choy Kan-pui; Paul Chan Sing-kong; Law Cheung-kwok.

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